Government of Alberta ■

Budget 2011

Building a better Alberta

Fiscal Plan

Alberta■

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Government of Alberta ■

Budget 2011

Building a better Alberta

Fiscal Plan

PRESENTED BY

LLOYD SNELGROVE
MINISTER OF FINANCE AND ENTERPRISE
AND PRESIDENT OF TREASURY BOARD

in the Legislative Assembly of Alberta
February 24, 2011

Alberta ■

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HIGHLIGHTS

Budget 2011

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HIGHLIGHTS

Building a Better Alberta

Budget 2011 *builds a better Alberta by maintaining funding for priority programs, continuing to invest in infrastructure and protecting our economic competitiveness.*

FISCAL SUMMARY

- Total 2011-12 revenue is estimated to grow $1.6 billion to $35.6 billion, with higher resource and income tax revenue and investment income partly offset by lower federal transfers. Revenue is forecast to grow by an average of 8.6% in 2012-13 and 2013-14.
- The depth of the 2009 Alberta recession was greater than thought. Uncertainty remains with respect to global growth. While revenue is forecast to increase strongly, it is growing from a lower-than-expected starting point. The *Budget 2011* revenue forecast for 2011-12 is $1.7 billion lower than forecast in *Budget 2010* and $1.4 billion lower in 2012-13.
- Total expense is forecast to increase $191 million in 2011-12, to $39 billion, due to increased operating expense for Albertans' priorities: health care, K-12 and post-secondary education, and services for seniors and Albertans most in need. Capital support for infrastructure remains high at $6.6 billion.
- Expense is close to the targets set out in *Budget 2010*. Continued spending management has enabled increases for priorities while keeping the year-over-year change in expense below population growth plus inflation, and with the balanced budget target in clear sight.
- A surplus of $1.3 billion is forecast for 2013-14, one year later than planned, with deficits of $3.4 billion in 2011-12 and $681 million in 2012-13.
- The Sustainability Fund is being used as envisioned – to protect priorities and Alberta's competitiveness in tough times, setting the stage for building a better Alberta. It will be replenished when cash becomes available.

Fiscal Summary[a]
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Revenue	35,658	33,968	33,982	35,589	38,832	42,004
Expense						
Operating expense	31,000	33,293	33,223	33,943	34,910	35,934
Capital grants	4,204	4,406	3,863	3,895	3,341	3,519
Other expense	1,486	1,017	1,717	1,156	1,262	1,295
Total Expense	36,690	38,716	38,803	38,994	39,513	40,748
Surplus/(Deficit)	**(1,032)**	**(4,748)**	**(4,821)**	**(3,405)**	**(681)**	**1,256**
Sustainability Fund	14,983	8,216	11,192	5,292	2,377	1,714
Net Assets	41,270	35,978	35,999	32,328	31,422	32,474

[a] Does not include revenue and expense of SUCH sector organizations or Alberta Innovates corporations, or changes in pension liabilities. Expense in 2011-12 and future years is net of $240 million in-year savings.

KEY ASSUMPTIONS AND RISKS

- The global economy will experience solid growth in 2011, led by developing nations like China and India. Significant challenges remain for economic prospects in the developed world. Alberta's economy is expected to grow 3.3% in 2011 and by about 3.2% over the next three years, as rising investment in the oil sector and strength in manufacturing and retail sectors offset a weak natural gas sector.
- Oil prices forecast to average US$89.40 per barrel, natural gas prices to average Cdn$3.45 per gigajoule, and the exchange rate 98.38US¢/Cdn$ in 2011-12.
- Uncertainty remains regarding commodity prices, financial markets, exchange rates and the durability of global and US economic growth. *Budget 2011* is based on assumptions close to the average of private forecasters.

SPENDING HIGHLIGHTS

Operating expense is $33.9 billion in 2011-12, a 2.2% increase from 2010-11.

- Health and Wellness: $14.8 billion. Includes honouring the commitment to provide a 6% increase to the Alberta Health Services base operating grant.
- Education: $5.9 billion. Funds teachers' salary increases and enrollment growth.
- Advanced Education and Technology: $2.8 billion. Funds operating costs of new facilities, targeted research and post-secondary institution enrollment growth.
- Seniors and Community Supports: $2 billion. Benefit levels are maintained for seniors programs and for Albertans in need of assistance.
- Children and Youth Services: $1.2 billion. Funds caseload growth in various programs and subsidies for an increased number of child care spaces.
- Other Ministries: $7.2 billion. Includes funding for income supports, employment and training; agriculture support and insurance; homelessness prevention; environmental and energy strategies; policing, correctional services and safe communities; and parks, tourism and cultural programs.

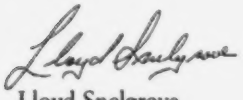
The 2011-14 Capital Plan supports $17.6 billion in projects. Stable construction costs, several project completions and re-profiling have enabled lowering Capital Plan support without any projects being cancelled.

- Health, Schools and Post-Secondary Facilities: $3.8 billion for new, renovated or expanded facilities, and maintenance and renewal.
- Provincial Highway Network: $4.6 billion mainly for ring roads, highway improvements and rehabilitation.
- Municipal Infrastructure Support: $5.1 billion for Municipal Sustainability Initiative, transportation grants, federal programs and GreenTRIP.
- Other capital support: $4.1 billion mainly for carbon capture and storage, housing, water infrastructure, parks, community and other government facilities.
- Direct borrowing: In *Budget 2009*, the government announced a plan to borrow $3.3 billion over three years to support capital projects. $1.5 billion was borrowed in 2009-10, $1.1 billion is being borrowed in 2010-11, and the remaining $0.7 billion is forecast to be borrowed in 2011-12.

ACCOUNTABILITY STATEMENT

The government's Fiscal Plan for the three years commencing April 1, 2011 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of February 2, 2011 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.



Lloyd Snelgrove
Minister of Finance and Enterprise
and President of Treasury Board
February 14, 2011

FISCAL PLAN 2011–14

Budget 2011

Building **a better Alberta**

FISCAL PLAN 2011–14

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Budget 2011: Building a Better Alberta

Budget 2011 presents a practical, responsible plan that respects the economic lessons of the past while continuing to build for the future.

Alberta has just come through the worst global economic downturn since the 1930s, a recession that affected economies around the world and hit Alberta hard.

Through prudent management, Alberta has weathered the recession and emerged from it in a position of strength.

At the beginning of the recession, government announced a plan to see Alberta through the difficult times – a straight forward plan built on four simple principles:

- Manage spending carefully, cutting back where it made sense;
- Protect and enhance funding for priority public services like health care, education and supports for Albertans in need;
- Continue strong investment in building roads, hospitals, schools and other public infrastructure, supporting tens of thousands of jobs and preparing for a return to economic growth;
- Continue to attract investment and ensure we remained competitive, keeping taxes the lowest in the country.

Budget 2011 *preserves priority public programs and continues to support vital infrastructure for a better Alberta.*

Government can continue to fund priority services and build needed infrastructure thanks to the decision to create and grow a savings account during the good times so that Alberta had extra money to draw on when times got tough.

Budget 2011 preserves priority public programs without making deep cuts, without raising taxes or leaving our children or grandchildren with massive debt, and continues to support infrastructure investment to the tune of $17.6 billion over the next three years, to build schools, hospitals, roads and other vital infrastructure.

Overall government expense has risen only 0.5% to $39 billion in 2011-12.

Government is demonstrating fiscal discipline by keeping the expense increase far below population growth plus inflation, while still providing Albertans with services in key areas such as health care, education and supports for those most in need of assistance.

Government is optimistic but cautious going forward. There are many factors beyond our control affecting government revenue: commodity prices, financial market performance, currency fluctuations and global economic uncertainty.

Government's four-point plan –The Way Forward– has served the province well in the past and will continue to build a better Alberta for future generations.

FISCAL OVERVIEW

The last several years have been challenging and tumultuous for Alberta's economy and the government's fiscal situation. Following fourteen years of surpluses, the government posted deficits in 2008-09 and 2009-10, as financial markets collapsed and the global economy entered recession.

The government was in a strong fiscal position to weather the recent economic storm.

The government responded with a plan to use the savings in the Sustainability Fund to offset deficits, rather than drastically cutting program spending or raising taxes when the economy was being battered by global events. Continued support for programs and infrastructure during the recession enabled Alberta to emerge with strength and positioned the government to build a better Alberta.

In both *Budget 2009* and *Budget 2010,* deficits were forecast for 2010-11 and 2011-12, with a return to surplus in 2012-13. However, the impact of the recession on Alberta's economy was more severe than originally thought. Alberta's economy contracted by 4.5% in 2009, not by 2.5% as forecast in *Budget 2010.* Global economic uncertainty remains. While growth in developing nations has been strong, inflation risks loom. Currency imbalances and fluctuations are risks, and sovereign debt problems have arisen in Europe. The US economy remains dependent on continued government stimulus.

Achieving a balanced budget is delayed one year; funding for priority areas is maintained.

The revised outlook has impeded the government's goal to be back in the black by 2012-13. The deficit for 2011-12 is expected to be larger, at $3.4 billion, and a balanced budget is not forecast until 2013-14. Although expense growth has been controlled, revenue is forecast to be $1.7 billion lower in 2011-12 and $1.4 billion lower in 2012-13 than expected in *Budget 2010.*

The more severe economic contraction in Alberta has lowered personal and corporate income tax revenue estimates. US natural gas production growth has exceeded demand growth, keeping natural gas prices low. The stronger Canadian dollar relative to the US dollar and changes to enhance the competitiveness of the royalty framework have also impacted revenue.

Savings in the Sustainability Fund will be used to transition back to fiscal balance, as planned. While achieving a balanced budget is delayed one year, funding for priority programs is maintained, significant infrastructure investment continued, and Alberta's tax advantage protected. All of these remain key elements in building a better Alberta.

Fiscal Summary[a]
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Revenue	35,658	33,968	33,982	35,589	38,832	42,004
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Total Expense	36,690	38,716	38,803	38,994	39,513	40,748
Surplus/(Deficit)	**(1,032)**	**(4,748)**	**(4,821)**	**(3,405)**	**(681)**	**1,256**

[a] Does not include revenue and expense of SUCH sector organizations or Alberta Innovates corporations, or changes in pension liabilities. Expense in 2011-12 and future years is net of $240 million in-year savings.

These elements are also important components in achieving the five goals set out in the government strategic plan:

- **A Healthy Approach.** Continued improvements to the health care system. Health accounts for about 40% of total expense. The five-year funding commitment to Alberta Health Services announced in *Budget 2010* is honoured, with the 2011-12 base operating grant increasing 6%.
- **Creating Opportunity.** Increased operating funding to basic and advanced education systems. Grants to Alberta Innovates corporations are increasing. Alberta Livestock and Meat Strategy receives $41 million. Premier's Council on Economic Strategy recommendations expected in the coming months.
- **Strong Communities.** Benefits and other supports to Albertans most in need are maintained. Operating funding for programs for children increased 3.3%. Significant investment in social housing and initiatives to reduce homelessness. Over $150 million for Safe Communities initiatives.
- **Building Tomorrow.** The $17.6 billion three-year Capital Plan provides significant support to municipalities, for highways, and for health and education facilities, to meet today's and tomorrow's growth needs.
- **Resourceful. Responsible.** Biofuels, greening energy production and climate change adaptation initiatives. Funding for Fort McMurray highway projects and housing development. Environmental monitoring system development.

Budget 2011 *addresses the five goals set out in the government's strategic plan.*

Managing spending has enabled continued support in these strategic areas. Total expense is rising only 0.5% to $39 billion in 2011-12. This includes an increase of $720 million in operating expense, mainly for the 6% base funding increase for Alberta Health Services, teachers' salaries, additional enrollment in K-12 and post-secondary education, and higher caseloads in programs for seniors and Albertans most in need. Capital grants are up slightly, by $32 million from 2010-11. These are partially offset by a decrease in emergency and disaster assistance as no expense is budgeted. Expense is forecast to increase by an average of 2.2% in the following two years, below population growth and inflation, reaching $40.7 billion by 2013-14.

Continued support in strategic areas has been achieved through careful management of spending.

Overall, the *Budget 2011* expense targets are relatively close to those forecast in *Budget 2010*. However, operating expense is higher, and is expected to increase by about $1 billion in each of the following two years, reflecting Albertans' priorities. Capital grants have been reduced somewhat, through re-profiling and stable construction costs. No projects have been cancelled.

Comparison of the *Budget 2010* and *Budget 2011* Forecasts
(millions of dollars – on *Budget 2011* basis)

	2011–12			2012–13		
	Budget 2010	*Budget 2011*	*Change*	*Budget 2010*	*Budget 2011*	*Change*
Revenue	37,306	35,589	*(1,717)*	40,243	38,832	*(1,411)*
Expense						
Operating expense	33,094	33,943	*849*	34,489	34,910	*421*
Capital grants	3,969	3,895	*(74)*	3,797	3,341	*(456)*
Other expense	1,378	1,156	*(222)*	1,452	1,262	*(190)*
Total Expense	38,441	38,994	*553*	39,738	39,513	*(225)*
Surplus/(Deficit)	**(1,135)**	**(3,405)**	***(2,270)***	**505**	**(681)**	***(1,186)***

Budget 2011 includes specific annual targets of $240 million for in-year savings. The government will continue to look for opportunities to streamline programs and achieve greater efficiencies through reengineering initiatives. Spending control measures introduced in past years, such as minimizing discretionary spending, are ongoing, and the freeze on management salaries continues in 2011-12.

Fees to cover the costs of some services are being raised, including those for motor vehicles, land titles, corporate registries and park campsite reservations. Fuel tax rebates for licensed vehicles will be eliminated, though benefits for unlicensed vehicles and farmers will remain in place.

Continued management of spending, coupled with renewed economic growth will mean a surplus of $1.3 billion in 2013-14.

Surpluses are forecast beginning in 2013-14. As global economic expansion firms, and Alberta's economic expansion broadens, revenue from personal and corporate income taxes is expected to rise. Oil sands production is expected to ramp up as new projects come on stream, leading to large increases in bitumen royalties. By 2013-14, bitumen royalties are forecast at over $7 billion and resource revenue is expected to return to near-record highs. Overall, revenue is expected to grow at an average of 8.6% in 2012-13 and 2013-14. With only moderate, targeted increases to government expense, a $1.3 billion surplus in 2013-14 is forecast.

This plan is prudent and built on reasonable expectations. The economic and revenue forecasts are based on assumptions close to the average of major forecasters. The government will continue to make any adjustments needed to deal with global uncertainty, while protecting priority programs and Alberta's tax advantage. The Sustainability Fund was established to assist through times of revenue volatility. When the fiscal situation improves, it will be replenished.

ECONOMIC ASSUMPTIONS

World Economy. Economic recovery was firmly established in 2010, with global growth of 5.0%, as economies responded to unprecedented government stimulus measures. Growth is forecast to be driven primarily by emerging economies, most notably China, India and Brazil, while growth in Japan and the European Union is expected to be weaker due to high debt levels, struggling financial sectors and sluggish labour markets. The International Monetary Fund has forecast growth of 4.4% in 2011.

United States. The US economy remains dependent on government fiscal and monetary stimulus policies. Despite fragile labour and housing markets, growth of 3.0% is forecast for 2011. A strong rebound in corporate profits should begin to translate into job creation and investment, making economic growth less dependent on the stimulus measures. Over the medium term the ability to maintain the measures will be limited by government deficits and higher debt.

Canada. The Canadian economy rebounded in 2010, with growth of 3.0% estimated. While employment has returned to pre-recession levels, high consumer debt may restrain spending and limit gains in housing markets. The high US-Canadian dollar exchange rate is expected to dampen exports, particularly from central Canada. Growth in 2011 is forecast to weaken to 2.5%.

Exchange and Interest Rate Assumptions

	2009-10 Actual	2010-11 Forecast	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast
Exchange rate (US¢/Cdn$)	91.95	97.96	98.38	98.00	98.00
Interest rate (3-month)	0.22	0.75	1.75	3.00	3.75
Interest rate (10-year)	3.38	3.15	3.65	4.25	4.75

Alberta. Alberta's economy recovered strongly in 2010, growing 3.5%. This followed the sharp 4.5% decline in 2009, which was much deeper than originally understood. Global recovery, especially in the developing world, has boosted commodity prices and led to increasing investment in the oil sands and conventional oil sectors. Exports from the manufacturing sector are expected to benefit. High US natural gas storage levels are anticipated to keep natural gas prices depressed into 2012-13 however, extending the natural gas sector slump.

Average employment in Alberta is expected to increase by 41,000 jobs in 2011. A strong labour market and solid growth in personal incomes are anticipated to boost consumer spending. Population growth is expected to strengthen, as migration picks up. Real GDP is estimated to increase by 3.3% in 2011 and by an average of 3.2% over the following three years.

Real GDP growth in Alberta is forecast at 3.3% for 2011.

Alberta Economic Assumptions
(% change)

	2010 Actual	2011 Forecast	2012 Forecast	2013 Forecast	2014 Forecast
Nominal economic growth (est.)	9.9	7.1	7.9	6.5	6.6
Real economic growth (est.)	3.5	3.3	3.2	3.3	3.1
Employment	(0.4)	2.0	2.0	1.8	1.7
Population	1.4	1.5	1.6	1.7	1.7
Alberta CPI	1.0	1.9	2.3	2.2	2.2

REVENUE ASSUMPTIONS

Based on these economic assumptions, total revenue is expected to be $35.6 billion in 2011-12, an increase of $1.6 billion from 2010-11. The increase from 2010-11 is mainly due to higher tax and resource revenue, partially offset by lower federal transfers.

The forecast includes changes which are expected to increase revenue by $151 million in 2011-12. Fuel tax rebates for licensed vehicles under the Tax Exempt Fuel Use (TEFU) program are eliminated. Motor vehicle, land titles, corporate registry and park campsite reservation fees are increased.

The forecast includes the impact of royalty changes announced in March and May of 2010, which reduced royalty rates and provided incentives to drill new wells and use new technologies to access Alberta's large unconventional oil and gas reserves.

Total revenue is expected to be $35.6 billion in 2011-12 and grow to $42 billion by 2013-14 .

Revenue is expected to grow to $38.8 billion in 2012-13 and $42 billion in 2013-14 as economic conditions continue to improve and royalties from oil sands projects start to take off.

Total Revenue
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Personal income tax	7,877	8,648	7,472	8,693	9,345	10,058
Corporate income tax	4,754	3,113	3,400	3,608	3,971	4,312
Other tax revenue	3,561	3,792	3,681	3,866	3,956	4,053
Non-renewable resource revenue	6,768	7,315	8,002	8,321	10,234	11,864
Federal transfers	4,941	5,090	5,273	4,768	4,845	4,972
Investment income	3,413	1,947	1,854	1,927	1,880	1,946
Other revenue	4,344	4,063	4,300	4,406	4,601	4,799
Total Revenue	**35,658**	**33,968**	**33,982**	**35,589**	**38,832**	**42,004**

Non-renewable resource revenue is forecast at $8.3 billion in 2011-12, an increase of $319 million from 2010-11. The drilling stimulus initiatives that reduced revenue in prior years have ended, but the 5% new well royalty rate portion has been made a permanent feature of the royalty framework. As this now is embedded in reported royalties, rather than reported separately, it results in lower reported royalties for conventional oil and natural gas.

Global economic growth, led by China, India and Brazil, is expected to increase energy demand, boosting oil prices to US$89.40/bbl in 2011-12 and US$95.50 in 2012-13. Growing oil sands production is forecast, increasing bitumen royalties to $4.1 billion in 2011-12 and $7.1 billion by 2013-14. Declining production and changes to the royalty framework for conventional oil are expected to nearly offset the impact of higher prices on oil royalties.

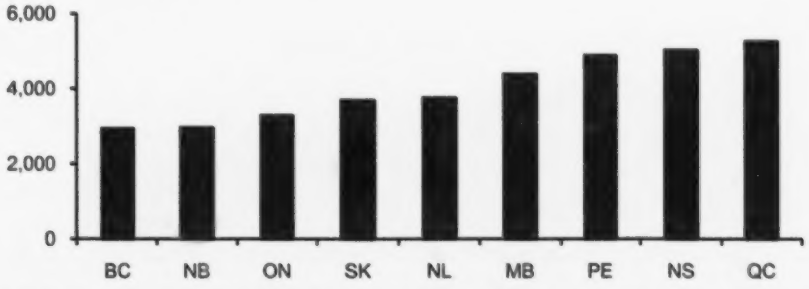
Production of shale gas in the US continues to rise dramatically, boosting storage levels and depressing prices. Natural gas prices are forecast to increase to Cdn$3.45/GJ in 2011-12 and then to $4.05 in 2012-13 as supply and demand align. Nevertheless, natural gas royalties are forecast to decline $632 million to just over $1 billion in 2011-12, mainly due to lower production, but also from the impact of the changes to the royalty framework.

There is considerable uncertainty about the outlook for energy prices. For 2011-12, private forecasts range from US$81.25/bbl to US$102.50/bbl for oil and from Cdn$2.98/GJ to Cdn$4.50/GJ for natural gas. The degree to which the Canadian dollar is tied to the price of oil limits gains from rising oil prices, since increases in the US-Canadian dollar exchange rate lower royalties.

Energy Prices

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast
Conventional oil (US$/bbl)	70.71	78.75	81.45	89.40	95.50	95.75
WCS @ Hardisty (Cdn$/bbl)	61.52	65.94	64.38	72.02	78.32	80.17
Natural gas (Cdn$/GJ)	3.58	4.25	3.26	3.45	4.05	5.00

2011 Alberta Tax Advantage[a]
(dollars per capita)



[a] This chart represents, on a per capita basis, the additional provincial taxes that individuals and businesses would pay if Alberta had the same tax structure as other provinces.

Tax revenue is increasing in 2011-12, reflecting a strengthening economy.

Tax revenue is forecast at $16.2 billion in 2011-12, an increase of $1.6 billion from 2010-11. Personal income tax revenue is expected to recover in 2011-12, rising $1.2 billion after dropping $405 million in 2010-11 due to a negative prior-years' adjustment. Improving corporate profitability is expected to boost corporate income tax revenue by $208 million. Fuel tax revenue is estimated to increase by $80 million, due mainly to the elimination of TEFU rebates for licensed vehicles. Other taxes are forecast to generate more revenue in 2011-12, with growth in the economy, population and incomes.

Albertans and Alberta businesses continue to pay, by far, the lowest taxes in Canada. If Alberta had the same tax system as other provinces, Albertans and Alberta businesses would pay the equivalent of between $2,950 and $5,270 per capita more in taxes each year.

Alberta continues to be the only province receiving less per capita CHT cash than all other provinces.

Federal transfers are forecast at $4.8 billion in 2011-12, a decline of $505 million from 2010-11. Federal stimulus programs for infrastructure, affordable housing and job skills training are winding down. These declines are estimated to more than offset increases in transfers for health and social programs. Federal transfers are forecast to increase $77 million in 2012-13. Alberta continues to be the only province receiving less per capita Canada Health Transfer (CHT) cash than other provinces, which short-changes the province by about $900 million per year.

Investment income is estimated at $1.9 billion in 2011-12, an increase of $73 million from 2010-11. Investment income from the Heritage Savings Trust Fund and endowment funds is forecast to recover strongly from lower-than-expected income in 2010-11, due to weak equity markets early in the fiscal year. Investment income from the Sustainability Fund is expected to decline over the next three years, as funds are withdrawn to offset deficits. As a result, investment income is forecast to remain at around $1.9 billion for 2012-13 and 2013-14.

Other revenue is estimated at $4.4 billion in 2011-12, an increase of $106 million from 2010-11, mainly from higher net income from commercial operations and premiums, fees and licences revenue. Other revenue is forecast to increase $195 million to $4.6 billion in 2012-13, and by $198 million to $4.8 billion in 2013-14.

SPENDING

Total expense is estimated at $39 billion in 2011-12, an increase of 0.5% from 2010-11.

Total expense is estimated at $39 billion in 2011-12, an increase of $191 million, or 0.5% from 2010-11. Additional funding is targeted to health care, education, and programs for children, seniors and Albertans in need of assistance. Expense is forecast to increase by an average of 2.2% over the next two years, to $40.7 billion by 2013-14. Total expense is net of expected in-year savings of $240 million in each of the next three years.

Operating expense is increasing by $720 million, or 2.2% in 2011-12, and by an average of 2.9% in the following two years. Capital Plan spending (capital grants and other support included in expense and capital investment in government-owned assets not included in expense) is increasing $371 million to $6.6 billion. The three-year 2011-14 Capital Plan totals $17.6 billion.

Expense
(millions of dollars)

	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target	3 Year Change
Operating expense	33,223	33,943	34,910	35,934	2,711
Capital grants and other support [a]	3,863	3,895	3,341	3,519	(344)
Capital amortization [b]	749	808	892	913	164
In-year savings	-	(240)	(240)	(240)	(240)
Disaster/emergency assistance	502	-	-	-	(502)
Debt servicing costs	466	588	610	622	156
Total Expense	**38,803**	**38,994**	**39,513**	**40,748**	**1,945**
Percentage increases					
Operating expense (%)	7.2	2.2	2.8	2.9	8.2
Total expense (%)	**5.8**	**0.5**	**1.3**	**3.1**	**5.0**
Population plus inflation (%) [c]	2.7	3.5	3.9	3.9	14.0
Capital investment [d]	2,398	2,737	2,076	2,069	(329)

[a] Includes capital grants and project planning, accommodation and facility preservation expense. Does not include capital investment in government-owned capital assets.

[b] Includes amortization, consumption of inventories and nominal sum disposals.

[c] Fiscal year, with mid-year population estimates.

[d] Capital investment in government-owned assets is not reported in expense. Capital Plan spending equals capital investment plus capital grants and other support.

OPERATING EXPENSE

In 2011-12, total operating expense is estimated at $33.9 billion, an increase of $720 million, or 2.2%. Operating expense is forecast to increase by about $1 billion in each of 2012-13 and 2013-14, an average increase of 2.9%.

In 2011-12, total operating expense is estimated at $33.9 billion.

2011–12 Operating Expense[a]

	2011-12 Estimate		Increase from 2010-11	
	$ millions	%	$ millions	%
Health and Wellness [b]	14,813	43.6	119	0.8
Education	5,862	17.3	251	4.5
Advanced Education and Technology	2,753	8.1	34	1.2
Seniors and Community Supports	2,045	6.0	71	3.6
Children and Youth Services	1,202	3.6	39	3.3
Other ministries	7,268	21.4	206	2.8
Total Ministry Operating Expense	**33,943**	**100**	**720**	**2.2**

[a] Excludes debt servicing costs, capital grants and other support, disaster/emergency assistance, amortization, consumption of inventories and nominal sum disposals.

[b] In 2010-11, Health and Wellness operating expense includes $527 million provided to AHS related to the AHS 2009-10 deficit. Excluding this payment, the Health and Wellness 2011-12 operating expense increase is $646 million, or 4.6%.

- **Health and Wellness** operating expense is increasing 0.8% to $14.8 billion. Excluding the $527 million provided in 2010-11 to Alberta Health Services (AHS) to offset the AHS 2009-10 deficit, the increase in 2011-12 is $646 million, or 4.6%. This is the second year of the five-year funding commitment to AHS announced in *Budget 2010*. Base operating support to AHS increases by 6% in 2011-12 and 2012-13, and 4.5% in each of the following two years. In 2011-12, additional funds are provided for drugs and supplemental health benefits.
- **Education** operating expense is increasing $251 million, or 4.5%, to $5.9 billion. This is due to increased operating support to school boards, to accommodate enrollment growth of 1.1% and the salary and pension costs associated with a forecast 4.4% increase to teachers' salaries, effective September 1, 2011. Savings from eliminating or scaling back several grant programs are being redirected to programs for students with severe disabilities, transportation services and English as a Second Language.
- **Advanced Education and Technology** operating expense is increasing 1.2%, or $34 million, to $2.8 billion. Operating grants to post-secondary institutions provide for strategic research initiatives, operating costs of new facilities and enrollment growth. *Budget 2011* includes $199 million for student financial assistance and $267 million for student loans, and $251 million for research, innovation and technology commercialization initiatives, including $202 million for the four Alberta Innovates corporations. These are partly funded from investment income of the Alberta Heritage Scholarship, Alberta Heritage Foundation for Medical Research and Alberta Heritage Science and Engineering Research endowment funds. Payments from the Access to the Future Fund to post-secondary institutions have been suspended for two years.

- **Seniors and Community Supports** operating expense is increasing $71 million, or 3.6%, to $2 billion, to maintain benefits in various programs, including Assured Income for the Severely Handicapped, Persons with Developmental Disabilities and the Alberta Seniors Benefit.
- **Children and Youth Services** operating expense is increasing $39 million, or 3.3%, to $1.2 billion. This supports caseload growth in various programs, including Child Intervention programs, Foster Care Support, Family Support for Children with Disabilities and child care accreditation and subsidies for low and middle-income families.

Other ministries receive $7.3 billion, just over 21% of total operating expense. This is an increase of $206 million or 2.8%. Highlights include:

- **Safe Communities.** $151 million for Safe Communities initiatives, providing for additional probation officers to target repeat or high risk offenders, crime prevention pilot projects, development of crime reduction and prevention plans, and mental health and addiction services in provincial correctional facilities.
- **Agriculture support.** $922 million, including $651 million for Agriculture Financial Services Corporation programs, with $471 million for crop, hail and livestock insurance. Federal and provincial cost-shared programs, including AgriFlex and Growing Forward, are budgeted at $41 million. Alberta Livestock and Meat Agency operating funding is $36 million.

2011–12 Operating Expense[a]

(millions of dollars)

	2010-11 Forecast	2011-12 Estimate	Change from 2010-11 Forecast $	Change from 2010-11 Forecast %	Main Reasons for Change
Legislative Assembly	90	110	20	23.0	Elections preparation
Aboriginal Relations	173	146	(27)	(15.7)	2010-11 First Nations settlement
Advanced Education and Technology	2,719	2,753	34	1.2	Increased operating grants to post-secondary institutions
Agriculture and Rural Development	779	922	143	18.3	2010-11 reduced by adjustment for 2009-10 AgriStability
Children and Youth Services	1,163	1,202	39	3.3	Caseload and cost increases
Culture and Community Spirit	174	174	-	-	
Education	5,611	5,862	251	4.5	Teachers' salaries and school board operating grants
Employment and Immigration	1,160	1,099	(61)	(5.3)	Lower unemployment expected to reduce caseloads
Energy	337	354	17	5.1	Bioenergy Producer Credit Program
Environment	199	177	(22)	(11.1)	Conclusion of energy efficiency initiative in 2010-11
Executive Council	31	29	(2)	(7.5)	Reduction to Promoting Alberta program
Finance and Enterprise	891	945	54	6.0	Pre-1992 Teachers' Pension Plan
Health and Wellness	14,694	14,813	119	0.8	Alberta Health Services operating grant
Housing and Urban Affairs	237	243	6	2.6	Support to homeless Albertans
Infrastructure	407	472	65	16.1	Increased lease renewal rate and building operating costs
International and Intergovernmental Relations	24	24	-	-	
Justice	483	479	(4)	(0.8)	One-time 2010-11 Safe Communities initiatives expense
Municipal Affairs	197	203	6	3.2	Grants in lieu of taxes
Seniors and Community Supports	1,974	2,045	71	3.6	Cost and caseload growth in programs for seniors and disabled
Service Alberta	251	250	(1)	(0.2)	One-time 2010-11 procurement reengineering expense
Solicitor General and Public Security	641	673	32	4.9	Policing costs and added correctional services staff
Sustainable Resource Development	294	287	(7)	(2.6)	End of Community Development Trust funding in 2010-11
Tourism, Parks and Recreation	155	148	(7)	(4.4)	Lower tourism expense
Transportation	495	487	(8)	(1.5)	Lower highway maintenance and preservation expense
Treasury Board	44	46	2	4.1	Financial business process reengineering project
Total Operating Expense	33,223	33,943	720	2.2	

[a] Excludes debt servicing costs, capital grants and other support, disaster/emergency assistance, amortization of capital assets, consumption of inventories and nominal sum disposals. Percentage change calculations based on changes in thousands of dollars.

- **Income Supports and Health Benefits.** Funding of $468 million for income supports is budgeted. This is $31 million lower than in 2010-11, as the forecast strengthening economy is expected to lower unemployment and program caseloads. Health benefits programs, provided to families on income support and to former program clients transitioning to employment, are budgeted at $149 million in 2011-12.
- **Housing initiatives.** Nearly $93 million supports implementation of the 10-year plan to end homelessness. This provides for 3,500 spaces in shelters, as well as outreach services for an additional 500 homeless Albertans. Another $77 million in rental assistance will help about 15,000 low-income households. These are in addition to significant capital support to build new and renovate existing housing units.
- **Support to municipalities.** Nearly $292 million is provided to municipalities for Family and Community Support Services, policing assistance, library grants and other programs. This is in addition to significant capital support.
- **Energy and environment.** Over $100 million to support various environmentally-sustainable resource development programs, including incentives for bio-energy product development, environmental monitoring and reporting, land stewardship and water management.

CAPITAL SPENDING

The government recognizes that infrastructure maintenance and expansion are vital to an economy, citizens and future prosperity. Schools, hospitals, roads and other infrastructure are necessary to support growth and an increasing population. The 2011-14 Capital Plan provides support of $17.6 billion, a decrease of $2.4 billion from the 2010-13 plan. Capital spending is down in most categories, with the exception of health facilities. Much of the decrease relates to major construction projects being completed in 2011 and 2012, re-profiling and stable construction costs. No projects have been cancelled.

The 2011-14 Capital Plan provides $17.6 billion in capital support.

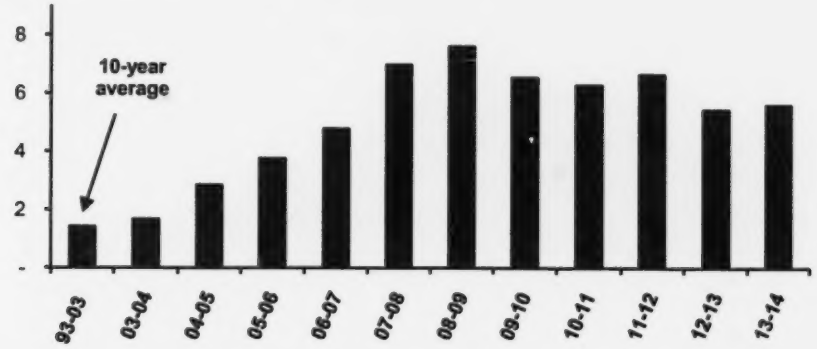
Comparison of 2010–13 and 2011–14 Capital Plans
(millions of dollars)

	2010-13 *Budget 2010*	2011-14 *Budget 2011*	*Change*
Health facilities	2,487	2,577	*90*
Schools	985	704	*(281)*
Post-secondary facilities	974	478	*(496)*
Provincial highway network	5,693	4,638	*(1,055)*
Municipal infrastructure support	5,250	5,084	*(166)*
Other projects	4,686	4,156	*(530)*
Total Capital Plan	**20,075**	**17,637**	***(2,438)***

In 2011-12, capital support is budgeted at $6.6 billion.

In 2011-12, capital support is budgeted at $6.6 billion, an increase of $371 million. Support will drop to $5.4 billion in 2012-13 before increasing to $5.6 billion in 2013-14. While Alberta's capital spending is forecast to fall, it will remain above historical levels. Capital support averaged $1.4 billion from 1993-94 to 2002-03 and $5.1 billion from 2003-04 to 2010-11. Over the three years 2011-12 to 2013-14, the Capital Plan averages $5.9 billion per year.

Capital Plan Support from 1992–93 to 2013–14
(billions of dollars)



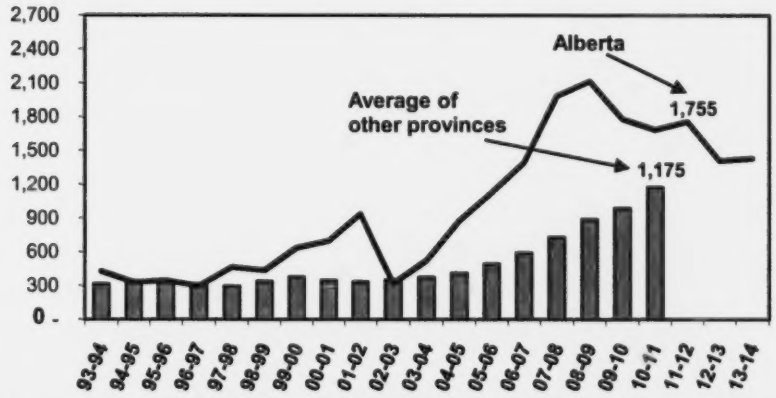
- **Health, Schools, and Post-Secondary Facilities** – $3.8 billion over the next three years:
  - **Health:** $2.6 billion for new, renovated or expanded facilities, maintenance and renewal, equipment and information systems.
  - **Schools:** $704 million for new schools, modernization projects and maintenance and renewal.
  - **Post-secondary:** $478 million for new, renovated or expanded facilities, and maintenance and renewal.
- **Provincial Highway Network** – $4.6 billion over the next three years:
  - Continue construction of Edmonton and Calgary ring roads.
  - Continue improvements to Highway 63, including a new bridge over the Athabasca River.
  - Paving and rehabilitation work across the province.
- **Municipal Infrastructure Support** – $5.1 billion over the next three years:
  - $2.7 billion under the Municipal Sustainability Initiative for core infrastructure such as roads, bridges and public transit.
  - $1.8 billion in transportation grants.
  - $440 million for GreenTRIP in support of public transit.
  - $134 million for projects supported by federal stimulus funding.
- **Other Capital Spending** – $4.2 billion over the next three years:
  - **Environment Projects.** $739 million for carbon capture and storage, and Climate Change and Emissions Management Fund and Canada ecoTrust for Clean Air and Climate Change projects.

- **Housing.** $507 million for affordable housing and supportive living units, revitalization of existing units, implementation of 10-year plan to end homelessness and Fort McMurray land development.
- **Water and Wastewater Projects.** $751 million for municipal and regional water and wastewater projects, irrigation rehabilitation and other water infrastructure.
- **Community Facilities.** $380 million for community facilities, including the Community Facility Enhancement Program, the Royal Alberta Museum project, the Mount Royal Conservatory of Music and maintenance and renewal in provincial parks.
- **Other Projects.** $1.8 billion, including construction of a public safety and law enforcement training centre in Fort Macleod, replacement of the Edmonton Remand Centre, renovation of the Federal Building and the creation of Centennial Plaza, provision of high-speed internet and communication services to rural Alberta, information management and technology and maintenance and renewal of government facilities.

Alberta's per capita infrastructure support is about 1.5 times higher than the per capita average of what other provinces have been spending. Other provinces' average spending has been $1,175 per capita, while Alberta's per capita spending is $1,755 in 2011-12.

Alberta's per capita infrastructure support remains higher than the provincial average.

Interprovincial Comparison of Capital Expenditure
(dollars per capita)



Source: Dominion Bond Rating Service Limited, *The 2010 Canadian Federal and Provincial Governments Overview: Time for the Hard Work to Begin*, December 2010. Alberta data for 2010-14 has been updated by Alberta Finance and Enterprise.

BORROWING FOR CAPITAL

In *Budget 2009* the government announced plans to borrow directly $3.3 billion over three years for capital projects. In 2009-10, $1.463 billion in debt for capital purposes was issued, and another $1.1 billion is planned in 2010-11. This leaves $737 million remaining to be issued in 2011-12. Borrowing for capital projects permits retaining a higher balance in the Sustainability Fund, providing enhanced fiscal flexibility over the medium term. Direct borrowing is in addition to another form of alternative financing being employed by the Alberta government, Public-Private Partnerships (P3s).

CHANGES TO PROVINCIAL BORROWING

As of April 1, 2011, the Government of Alberta will begin to borrow directly from financial markets and then on-lend the proceeds to Alberta Treasury Branches (ATB) and the Alberta Capital Finance Authority (ACFA), as has been the practice with Agriculture Financial Services Corporation. Currently ATB and ACFA borrow in their own names, and consequently pay slightly higher interest rates than the Government of Alberta would pay. Borrowing directly will also provide benefits in overall management of debt issuance.

This change will impact government financial reporting as follows:

- With respect to borrowing on behalf of ATB, there will be no change. As a commercial operation, the net income of ATB is reported as revenue to the government, and similarly, the net equity of ATB is reported as an asset of the government. The amount borrowed will be reported as liability of ATB, and the debt servicing costs as an expense of ATB.
- With respect to borrowing on behalf of ACFA, the debt servicing costs will be reported as government debt servicing costs, rather than as government operating expense (in the Ministry of Finance and Enterprise). The amount borrowed will continue to be reported as before, as a liability of ACFA on the government balance sheet.

RISKS

Alberta relies on revenue sources that can be very volatile.

Alberta relies heavily on revenue sources that can be very volatile and unpredictable, including non-renewable resources, investment income and corporate income tax. Since 2000-01, these revenue sources have accounted for anywhere between 38% and 55% of total revenue. This revenue is linked to factors such as energy prices, equity markets and exchange rates, which have fluctuated dramatically in recent years and are outside Alberta's influence.

- **Oil prices** reached highs of US$147/bbl in July 2008, before dropping rapidly to US$34/bbl by December 2008. Prices have risen steadily since, and are expected to average US$81.45/bbl in 2010-11 and US$89.40/bbl in 2011-12.
- **Natural gas prices** (Alberta Reference Price, ARP, used to calculate royalties) reached Cdn$9.84/GJ as recently as July 2008, but then fell dramatically. Prices have remained far below previous highs. After a brief recovery in late 2009 and early 2010, prices fell throughout much of 2010, bottoming out at Cdn$2.92/GJ in October and averaging Cdn$3.26/GJ for 2010-11. The ARP is forecast to average Cdn$3.45/GJ for 2011-12.
- **The Canadian dollar** has fluctuated significantly against the US dollar, falling to below 78US¢/Cdn$ in March 2009, before rising steadily, staying above 95US¢/Cdn$ for much of 2010 and hovering around par in early 2011. In 2011-12, the exchange rate is forecast at 98.38 US¢/Cdn$.
- **Equity markets** have rebounded after experiencing large declines in 2008 and early 2009, but major equity markets are still not back to pre-recession levels. Canada's S&P TSX index remains below its 2008 high.

These factors can vary significantly from assumptions used to prepare budget forecasts. In-year changes can be sudden and are usually unpredictable by either internal government forecasters or private forecasters. Large deviations from budgeted revenue have resulted. The changes to the royalty framework reduce this volatility somewhat, since the royalty curves have been "flattened."

While 2010-11 revenue is less than 1% lower than the *Budget 2010* estimate, this masks considerable volatility within revenue sources. Revenue from Crown lease sales has more than tripled and corporate income tax revenue is 9% higher. The drilling stimulus initiatives have reduced revenue by about double what was estimated, while Heritage Fund income, crude oil and natural gas royalties are all less than estimated, down by 22%, 11% and 11%, respectively.

The degree of revenue uncertainty places the Alberta government in a unique position relative to other governments. Like energy companies, banks and other investors, Alberta must assess the degree of risk it is willing to take associated with its revenue outlook and spending decisions.

Current uncertainty is tied to US and global economic performance, financial and currency markets, and environmental and technology developments. Revenue in 2011-12 could be as much as 10-20% higher or lower than estimated, depending on variations in energy prices, exchange rates, economic growth or equity markets. The range grows larger in subsequent years.

GLOBAL ECONOMY

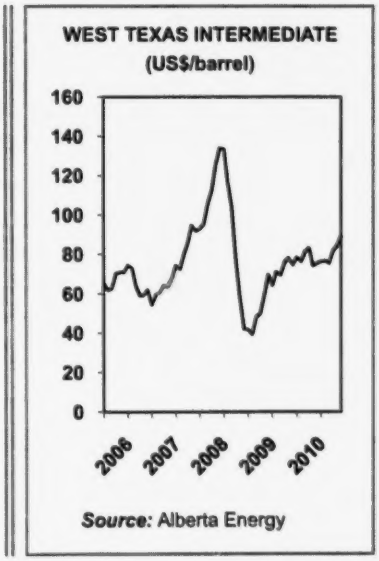
- *Budget 2011* assumes strong global economic growth in 2011 of 4.4%, led by China, India and Brazil. However, fragile US labour and housing markets, inflation in emerging economies, sovereign debt problems faced by several European countries and possible currency fluctuations are risks to this outlook.
- Weaker global growth would negatively affect Alberta's revenue through lower energy prices and equity market returns. Stronger growth could have a positive impact.

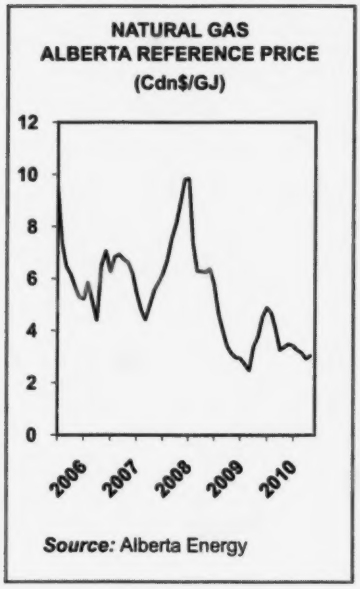
ALBERTA ECONOMY

- *Budget 2011* assumes Alberta's economy will grow by 3.3% in 2011, as the improved outlook for oil demand and prices drives investment and boosts exports. Personal income and consumer spending is expected to be strong, reflecting an improving labour market and rising wages.

ENERGY PRICES

- Oil prices are closely linked to global economic conditions. Determining the price of oil three years out is always difficult, as prices are influenced by a wide range of global factors that are outside Alberta's control.

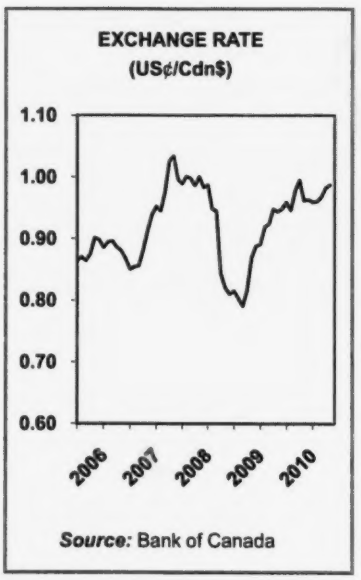




- US production of shale gas continues to increase dramatically, and to outstrip demand growth. This has boosted US natural gas storage levels and depressed prices. The forecast assumes natural gas prices will strengthen, but not until 2012-13. Weaker-than-expected US growth or technological advances that boost shale gas production even further would continue to keep prices low.
- The recently-implemented changes to the royalty framework reduce the volatility of conventional oil and natural gas royalties in response to changing prices. Under the new framework, the royalty rate is 5% for the first year of production, no matter what the price is. The royalty curves have been flattened, with rates lower at a given price and level of production than under the old framework, and with reduced maximum rates.

INTEREST RATES

- Interest rates are expected to rise as economic expansion moves to a firmer footing, though the timing and extent of the increase in interest rates is uncertain. An increase in interest rates reduces government revenue. While short-term investments benefit, higher rates cause an immediate reduction in the market value of bonds held in endowment portfolios.
- Rate increases could also discourage business investment, thereby reducing economic activity and lowering revenue from royalties and income taxes.
- Government borrowing for capital projects adds risk, as higher future interest rates would make any necessary refinancing of debt more expensive.



EXCHANGE RATE

- The strong Canadian dollar is expected to temper exports and restrain Alberta's economic growth. A higher dollar also affects the profitability of energy producers, which can affect investment and lowers government resource revenue as energy prices and contracts are mainly in US dollars. Investment income is also affected as nearly one-third of the Heritage Savings Trust Fund is held in foreign equities.

INVESTMENT INCOME

- Alberta has significant financial assets invested globally in a variety of asset classes. Changes in global economic conditions, financial markets, interest rates, exchange rates and other factors affect the return on these investments.
- The forecast is based on long-run expected rates of return. Annual market performance is likely to vary considerably from the average, such that investment income could be much greater or lower than forecast.

CORPORATE INCOME TAX

- Corporate profits are expected to increase as the economy recovers. However, reported increases in corporate profits do not necessarily correspond to increases in corporate income tax revenue. Taxable income can differ as corporations utilize discretionary tax deductions such as depreciation, and losses from previous years.

SUSTAINABILITY FUND

- The Alberta government set aside significant assets in the Sustainability Fund for risk management purposes. The Fund, with forecast assets of $11.2 billion at March 31, 2011, will be used to offset deficits forecast for 2011-12 and 2012-13.

The Sustainability Fund has proven to be an effective risk management tool.

Sensitivities to Fiscal Year Assumptions, 2011–12[a]

	Change	Net Impact (2011-12)
Oil Price (WTI US$/bbl)	-$1.00	-141
Natural Gas Price (Cdn$/GJ)	-10 Cents	-51
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-154
Interest Rates	+1%	-212
Personal Income	-1%	-115

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12-month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

SPENDING PLAN

Budget 2011

Building **a better Alberta**

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SPENDING PLAN

HIGHLIGHTS

- A $9.6 billion operating grant to Alberta Health Services in 2011-12, a 6% increase from 2010-11. Total program expense for the Ministry of Health and Wellness will be nearly $15 billion in 2011-12.
- Operating expense of $5.9 billion for the Ministry of Education, a 4.5% increase from 2010-11. For Advanced Education and Technology, operating expense will increase slightly to $2.8 billion in 2011-12.
- Benefits to Albertans most in need are maintained in 2011-12, with nearly $783 million for the Assured Income for the Severely Handicapped program and $608 million for Persons with Developmental Disabilities. Over $474 million budgeted for programs to assist seniors.
- A three-year, $17.6 billion Capital Plan which includes $5.1 billion in municipal infrastructure support, $4.6 billion for provincial highways, and a combined $3.8 billion for health care facilities, schools, and post-secondary institutions.

The Budget 2011 Spending Plan supports the government's five goals.

The *Budget 2011* spending plan reflects the government's commitment to address the Strategic Plan's five goals:

- **A Healthy Approach** – Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery.
- **Creating Opportunity** – Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy.
- **Strong Communities** – Promote strong and vibrant communities and reduce crime so Albertans feel safe.
- **Building Tomorrow** – Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population.
- **Resourceful. Responsible** – Ensure Alberta's energy resources are developed in an environmentally sustainable way.

GOAL: *Increase access to quality health care and improve the efficiency and effectiveness of health care service delivery*

A key initiative in *Budget 2011* that addresses this goal is continued implementation of *Becoming the Best: Alberta's 5-Year Health Action Plan*. Under the Plan, specific performance measures and targets for improved performance of Alberta's health care system have been established. Short-term results which are expected to be achieved by March 2012 under the Plan include:

- 360 new hospital beds;
- 3,000 more surgeries;
- 2,300 more continuing care spaces; and
- 3,000 more Albertans to receive home care services.

MINISTRY OF HEALTH AND WELLNESS

Nearly $15 billion in program expense for Health and Wellness in 2011-12.

Health and Wellness program expense is budgeted at nearly $15 billion in 2011-12. This includes:

- $14.8 billion in ongoing operating expense. Excluding one-time funding in 2010-11, this is an increase of $646 million or 4.6%; and
- $134 million in capital grants, amortization and consumption of vaccine inventories.

In addition, $871 million is budgeted in the Ministry of Infrastructure for health capital facilities.

Alberta Health Services base operating grant increases to $9.6 billion in 2011-12.

Alberta Health Services (AHS). Under the five-year funding commitment, AHS will receive base operating grant rate increases of 6% in both 2011-12 and 2012-13, and 4.5% in both 2013-14 and 2014-15. In 2011-12, the base operating grant will increase by $545 million to $9.6 billion.

Physician Compensation and Development. Over $3.3 billion is budgeted in 2011-12 for physician compensation and development programs, including medical resident allowances. Negotiations are ongoing toward a new tri-lateral agreement among the government, the Alberta Medical Association and Alberta Health Services.

Drugs and Supplemental Health Benefits. Assistance for prescription drugs, ambulance services and other health benefits is available to Albertans. The 2011-12 budget provides over $1 billion for these benefits, including $595 million for prescription drug benefits for seniors. This budget also includes over $194 million for outpatient cancer therapy drugs and specialized high cost drugs, an increase of over 9% from 2010-11.

Other Health Services. Nearly $800 million is budgeted in 2011-12 for a variety of services, including allied health (e.g. services provided by optometrists and podiatrists), vaccination programs, tissue and blood services, and continuing care initiatives.

Nearly $2.6 billion over three years for health capital.

Capital Budgets. Funding for new or expanded health care facilities and maintenance and renewal of existing facilities is budgeted in the Ministry of Infrastructure, with other health capital items budgeted in the Ministry of Health and Wellness. Between the two ministries, nearly $2.6 billion is budgeted for health capital over the next three years. This will provide:

- $2.2 billion for facilities, including $209 million for capital maintenance and renewal;
- $150 million for health information systems;
- $150 million for the purchase of vaccines; and
- $106 million primarily for diagnostic and medical equipment.

Ministry of Health and Wellness
(millions of dollars)

	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Operating Expense				
Alberta Health Services – Base Funding	9,089	9,634	10,212	10,672
Alberta Health Services – One-Time Items	527	-	-	-
Physician Compensation and Development	3,310	3,346	3,332	3,345
Drugs and Supplemental Health Benefits	957	1,041	1,136	1,246
Other Health Services	811	792	788	842
Total Operating Expense	**14,694**	**14,813**	**15,468**	**16,105**
Capital Grants	71	59	63	46
Amortization and Consumption of Inventories	54	75	66	66
Total Program Expense	**14,819**	**14,947**	**15,597**	**16,217**
Operating Expense increase (%)[a]		4.6	4.4	4.1
Program Expense increase (%)[a]		4.6	4.3	4.0
Capital Investment	69	85	77	77

[a] Calculation of the increase for 2011-12 excludes $527 million in one-time funding provided to Alberta Health Services in 2010-11.

GOAL: *Enhance value-added activity, increase innovation, and build a skilled workforce to improve the long-run sustainability of Alberta's economy*

Key initiatives in *Budget 2011* that address this goal include:

- Funding for the basic education system is increasing.
- Significant support to the post-secondary education system is provided.
- Initiatives to build a skilled workforce continue.
- Ongoing support is provided to the agriculture sector.

MINISTRY OF EDUCATION

Nearly $6.2 billion in program expense for Education in 2011-12.

Education program expense is budgeted at nearly $6.2 billion in 2011-12. This includes:

- $5.9 billion in operating support, an increase of $251 million or 4.5% from the 2010-11 forecast; and
- $288 million for school capital projects, including $99 million for capital maintenance and renewal.

Operating Support to School Boards. Total operating and property tax support to public and separate school boards is budgeted at $5.7 billion in 2011-12. School boards will receive funding for the anticipated 4.4% increase in teachers' salaries (and associated pension costs) effective September 1, 2011, based on the increase in Alberta's Average Weekly Earnings Index forecast for the 2010 calendar year. With this increase, provided under the final year of the five-year agreement, teachers' salaries will have risen by almost 21% since 2007, nearly double the rate of inflation over this period.

Within the overall funding envelope for school boards, funding is allocated to maintain all existing grant programs to the end of the 2010-11 school year. As well, funding is provided for general enrollment growth of 1.1%, and for increases in supports to students with severe disabilities, English as a Second Language and student transportation services.

These increases will be offset by savings from selected grant reductions. Grants for Enhanced English as a Second Language, intra-jurisdiction distance, and enrollment growth/decline will be eliminated at the end of the 2010-11 school year. Relative cost of purchasing and stabilization grants will be reduced by 50% for 2011-12 and will not be provided in 2012-13. Ongoing funding for the Alberta Initiative for School Improvement will be reduced by 50% beginning with the 2011-12 school year.

Within this budget:

- $468 million is provided to operate and maintain schools, an increase of $12 million or 2.7%.
- $282 million is provided to support students with severe disabilities, an increase of $12 million or 4.4%.
- $260 million is provided to support student transportation services.
- $228 million is provided for the Small Class Size Initiative, bringing total government support for the initiative to over $1.4 billion since 2004-05. For the 2011-12 school year, this per student grant will be focused on Kindergarten to Grade 3 and will no longer be provided for Grades 4 to 6. Funding will continue for specific high school Career and Technology Studies courses that require smaller classes for safety issues.
- $49 million is provided for the Student Health Services Initiative.

$750 million for Teachers' Pensions in 2011-12.

Teachers' Pensions. Operating support to school boards includes $299 million in 2011-12 for current service payments for teachers' pensions, with a further $451 million budgeted in the Ministry of Finance and Enterprise to provide for the costs of the pre-1992 teachers' pension liability.

Private Schools. There is $178 million budgeted in 2011-12 to support accredited private schools and private operators that provide Early Childhood Services programs for children as young as two and a half years of age.

$702 million over three years for school capital.

School Capital. Nearly $702 million in capital support to schools is budgeted over the next three years. This will provide:

- $411 million for school expansion and upgrading projects; and
- $291 million for capital maintenance and renewal.

Debt Servicing. Debt servicing costs associated with the 28 new schools completed or under construction through the Alberta Schools Alternative Procurement (ASAP) projects will be $22 million in 2011-12.

Ministry of Education
(millions of dollars)

	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Operating Expense				
Support to School Boards	5,453	5,710	5,779	5,868
Less: Property tax support to Opted-out Boards	(196)	(202)	(206)	(210)
Accredited Private Schools	172	178	181	186
Other Initiatives	100	94	95	98
Program Support	82	82	82	82
Total Operating Expense	**5,611**	**5,862**	**5,931**	**6,024**
Capital Grants[a]	375	288	237	177
Amortization	1	1	1	1
Total Program Expense	**5,987**	**6,151**	**6,169**	**6,202**
Debt Servicing (ASAP)	17	22	26	27
Total Ministry Expense	**6,004**	**6,173**	**6,195**	**6,229**
Operating expense increase (%)		4.5	1.2	1.6
Program expense change (%)		2.7	0.3	0.5

[a] There is another $2 million over two years budgeted in the Ministry of Infrastructure for administration of Alberta Schools Alternative Procurement.

MINISTRY OF ADVANCED EDUCATION AND TECHNOLOGY

$3 billion in program expense for Advanced Education and Technology in 2011-12.

Advanced Education and Technology program expense is budgeted at $3 billion in 2011-12. This includes:

- $2.8 billion in operating support, an increase of $34 million or 1.2% from the 2010-11 forecast; and
- $251 million in capital support, including $107 million for capital maintenance and renewal.

Support for Adult Learning. Support for adult learning will be $2.4 billion in 2011-12. This includes more than $2 billion in operating grants to post-secondary institutions, a nearly $62 million increase from 2010-11. Of this increase, about $31 million will be used to address collaborative initiatives between institutions and the operating costs of new facilities. The other $31 million is allocated to a new program, Campus Alberta Innovations, to address enrollment growth and strategic initiatives in priority research areas.

Student Financial Assistance. The 2011-12 support for adult learning budget includes $199 million for student financial assistance. This will provide:

- $90 million for Alberta's student loan remission and debt management programs.
- $71 million in merit-based scholarship awards to about 37,500 students.
- $19 million in needs-based bursaries and grants to about 3,500 students.
- $19 million in Alberta Centennial Education Savings Plan grants. About 56,800 children will benefit from these grants.

Student loan remission and debt management programs include the Loan Relief Completion Payment, which reduces the debt of students when they leave full-time studies. Effective August 1, 2011, these payments will only be

made to those students who complete the final year of a program. This will save about $33 million in 2011-12.

In addition, $267 million in student loans are expected to be disbursed to more than 53,000 students in 2011-12.

Innovation. There is $251 million budgeted in 2011-12 for research, innovation and technology commercialization initiatives, including $202 million in operating support for the four agencies under the umbrella of Alberta Innovates. Draws on the Alberta Heritage Foundation for Medical Research Endowment Fund and the Alberta Heritage Science and Engineering Research Endowment Fund support grants to Alberta Innovates – Health Solutions and to Alberta Innovates – Technology Futures.

Access to the Future Fund. Payments from the Fund to post-secondary institutions have been suspended for 2011-12 and 2012-13, saving $90 million in expense over two years. These savings will be retained in the Fund with payments planned to resume in 2013-14.

Nearly $478 million over three years for post-secondary capital.

Post-Secondary Capital. Nearly $478 million is budgeted for post-secondary capital projects over the next three years. *Budget 2011* will provide:

- $144 million for post-secondary facility expansion and upgrading; and
- $334 million for capital maintenance and renewal.

Ministry of Advanced Education and Technology
(millions of dollars)

	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Operating Expense				
Support for Adult Learning	2,332	2,391	2,394	2,403
Innovation	235	251	254	267
Access to the Future Fund	45	-	-	45
Program Delivery Support	107	111	111	111
Total Operating Expense	**2,719**	**2,753**	**2,759**	**2,826**
Capital Grants	605	251	113	114
Amortization	5	5	5	5
Total Program Expense	**3,329**	**3,009**	**2,877**	**2,945**
Operating Expense increase (%)		1.2	0.2	2.4
Program Expense change (%)		(9.6)	(4.4)	2.4

WORKFORCE INITIATIVES

Initiatives to build a skilled workforce continue in *Budget 2011.*

$162 million for employment and training programs in 2011-12.

Employment and Training Programs. These programs help Albertans obtain the skills they need to find a job, help retain their existing job or seek better employment opportunities. Over 155,000 Albertans benefit from these programs annually. Combined, the 2011-12 budget for all the various programs is $162 million, a $14 million reduction from the 2010-11 forecast. Due in part to the end of federal funding under the Canada Skills and Transition Strategy, reductions have been made in Basic Skills and Academic Upgrading and Career Development Services, while the Youth Connections program will

end in 2011. Resources such as Labour Market Information Centres and online tools will continue to support all job seekers and those transitioning between careers, including youth.

Occupational Health and Safety (OHS). Work on the government's 10-point plan will continue, with additional efforts in education and enforcement. In 2011-12, nearly $28 million is budgeted for OHS, an increase of over $3 million or 12.7% from 2010-11.

Health Workforce Development. Health workforce development continues with $35 million budgeted in 2011-12. Ongoing initiatives include improving the credential assessment of internationally-educated health professionals and promoting rural Alberta to medical students as a place to work.

SUPPORT FOR AGRICULTURE

About $1 billion per year for Agriculture and Rural Development.

About $168 million in industry disaster support was provided in 2010-11, as poor early season weather and other conditions impacted the agriculture sector. In *Budget 2011*, ongoing agriculture support programs are maintained with about $1 billion per year budgeted in Agriculture and Rural Development.

In 2011-12, over $41 million is provided for federal/provincial programs including AgriFlex and Growing Forward. These initiatives are intended to help strengthen and diversify the sector and support profitable and innovative agriculture, agri-food and agri-based products and industries.

The Alberta Livestock and Meat Agency Ltd. (ALMA) continues to implement the Alberta Livestock and Meat Strategy. With over $41 million budgeted in 2011-12, ALMA programs are designed to help build an internationally respected, competitive and profitable livestock and meat industry.

Agriculture Financial Services Corporation. Budgeted program expense is $658 million in 2011-12, including $474 million for crop, hail and livestock insurance programs. Funding has been allocated in 2011-12 to expand the Cattle Price Insurance Program to include feeder cattle and calves and to introduce a new Hog Price Insurance Program.

OTHER VALUE-ADDED INITIATIVES

Nearly $72 million in program expense for Provincial Parks in 2011-12.

Provincial Parks. Program expense will be $71.6 million in 2011-12, an increase of $2.2 million or 3.1% from the 2010-11 forecast. A further $13.6 million in capital investment is planned. The Glenbow Provincial Park will open in summer 2011 and the Little Bow Provincial Park will be added to the online reservation system for May 2011 reservations. No service reductions or park closures are anticipated in 2011-12.

Tourism. The budget for tourism-related initiatives will be $60 million in 2011-12. The Travel Alberta Corporation will continue to lead tourism marketing for the province.

Recreation and Sport. Over $28 million is budgeted in 2011-12 to support sport, recreational and active living initiatives through Tourism, Parks and Recreation and its Alberta Sport, Recreation, Parks and Wildlife Foundation.

GOAL: *Promote strong and vibrant communities and reduce crime so Albertans feel safe*

Key initiatives in *Budget 2011* that address this goal include:

- Safe Communities initiatives continue to be implemented.
- Benefits and other supports for Albertans most in need are maintained, through programs such as the Assured Income for the Severely Handicapped and the Alberta Seniors Benefit.
- Funding for child care subsidies and accreditation programs is increasing to reflect the significant number of child care spaces created since 2008.
- The retained income of the Alberta Social Housing Corporation will be invested to renovate, redevelop or replace social housing units.

SAFE COMMUNITIES

$151 million in operating expense in 2011-12 for Safe Communities initiatives.

Safe Communities initiatives are a key component of the government's efforts to reduce crime. A comprehensive plan to address prevention, enforcement and treatment issues is being implemented. Key projects include:

- **Prevention.** The Safe Communities Innovation Fund in the Ministry of Justice supports crime prevention pilot projects and development of municipal, regional or Aboriginal community crime reduction and prevention plans. Through the Civil Forfeiture Office, property gained through criminal acts is seized and, if court action is successful, forfeiture is ordered. Proceeds from the sale of the forfeited property are used for victim compensation and crime prevention programs.
- **Enforcement.** In 2011-12, 30 probation officers will be added to target repeat and high risk offenders. This will fulfill a 2008 commitment to add 110 probation officers.
- **Treatment.** Mental health and addiction services in provincial correctional facilities will be enhanced.

Budgeted operating expense for Safe Communities initiatives will be $151 million in 2011-12. In addition, $40 million in capital investment is budgeted over the next three years to build additional government-owned addiction treatment facilities.

BENEFITS AND OTHER SUPPORTS TO ALBERTANS MOST IN NEED

Budget 2011 will continue to support Albertans most in need. Additional funding has been allocated in 2011-12 to address caseload or volume pressures and ensure existing benefits are maintained.

Nearly $783 million for the AISH program in 2011-12.

Assured Income for the Severely Handicapped (AISH). Income and health benefits and other supports are provided to more than 42,000 disabled adults. Nearly $783 million is budgeted in 2011-12, an increase of $26 million or 3.5% from the 2010-11 forecast. This budget maintains the maximum monthly income benefit of $1,188 and the average monthly health benefit of about $370, and also provides for moderate caseload growth. Since 2005-06,

AISH funding has increased by over $290 million or 60%, as benefits have been enhanced and caseloads have increased.

$608 million for Supports to Persons with Developmental Disabilities (PDD).

Support to Persons with Developmental Disabilities (PDD). A variety of supports are provided to over 9,300 adults with developmental disabilities. Most PDD clients also receive AISH benefits. The 2011-12 budget is $608 million, an increase of $12 million or 2% from 2010-11. Since 2005-06, PDD funding has increased by nearly 22% while the number of individuals supported has increased by about 3%.

Alberta Seniors Benefit. Supports are provided to about 148,000 low-income seniors. The 2011-12 budget is $333 million, an increase of nearly $8 million or 2.4% from 2010-11. The budget maintains program benefits and income thresholds, and provides for projected growth in the number of eligible seniors residing in designated supported living facilities.

Other Seniors Programs. Combined, the budgets for Seniors Dental and Optical Assistance, Seniors Lodge Assistance, School Property Tax Assistance and Special Needs Assistance for Seniors will be over $141 million in 2011-12, an increase of $8.5 million or 6.4% from 2010-11. These budgets will maintain current benefits and provide for volume increases in most of these programs.

Alberta Aids to Daily Living. Financial assistance to buy medical equipment and supplies is provided to about 85,000 Albertans with a long-term disability, chronic illness or terminal illness to help maintain their independence. The 2011-12 budget is nearly $124 million, an increase of over $5 million or 4.4% from 2010-11, to address increases in the number of clients and the cost of medical equipment.

Nearly $468 million for income supports and $149 million for health benefits in 2011-12.

Alberta Works – Income Supports and Health Benefits. These programs help unemployed people find and keep jobs, and help eligible Albertans cover their basic costs of living. Albertans receiving income support benefits also receive financial assistance for child care, school supplies and work clothes. Benefits vary based on family size and whether the primary applicant is expected to work, has barriers to full employment, or is learning.

The 2011-12 budget for income supports is nearly $468 million, about $31 million lower than the 2010-11 forecast, as overall employment growth in Alberta will help to reduce caseloads.

Health benefits include the Alberta Child Health Benefit (ACHB) and the Alberta Adult Health Benefit (AAHB). The AAHB provides former income support recipients who leave the program for employment with benefits for a transitional period. Nearly 80,000 children benefit from the ACHB program and over 8,700 households access the AAHB. Combined, the 2011-12 health benefits budget is $149 million, a $2 million increase from 2010-11.

SERVICES FOR CHILDREN, YOUTH AND FAMILIES

Program expense for the Ministry of Children and Youth Services is budgeted at $1.2 billion in 2011-12, an increase of $30 million or 2.6% from the 2010-11 forecast.

Child Intervention. Combined, the budgets for Child Intervention Services, Supports for Permanency, and Early Intervention and Early Childhood Development will be over $436 million in 2011-12, an increase of nearly $13 million or 3.1% from 2010-11. The increases include $6 million for Child Intervention Services to provide for higher caseloads and increasing case complexity.

Foster Care Support. The budget is increasing by over $4 million to $171 million in 2011-12. This will support over 5,400 foster child placements.

Nearly $229 million for child care subsidies and accreditation programs in 2011-12.

Child Care. The 2011-12 budget will provide nearly $229 million for child care subsidies and accreditation programs, a $17 million or 8.1% increase from 2010-11. Program costs are rising as the number of low and middle-income families eligible for subsidies is expected to increase to 20,000 in 2011-12.

Through the Creating Child Care Choices plan, government has exceeded the goal of creating 14,000 new child care spaces since 2008. As a result, capital grants to support new spaces will end as planned.

Family Support for Children with Disabilities. Supports are provided to these families so that children with disabilities have an opportunity to develop to their potential. Over $129 million is budgeted in 2011-12, an increase of nearly $3 million or 2.1% from 2010-11, to address increased caseloads.

Family and Community Support Services (FCSS). Through this 80/20 funding partnership between the province, municipalities and the Métis Settlements, communities design and deliver local preventive programs that promote and enhance well-being among individuals, families and communities. The 2011-12 FCSS budget will be maintained at nearly $76 million.

HOUSING PROGRAMS

$260 million over five years to renovate, redevelop or replace up to 8,180 social housing units.

Social Housing. The province will invest $260 million over five years, including $142 million in *Budget 2011*, from the retained income of the Alberta Social Housing Corporation (ASHC) to renew its social housing portfolio. Through the ASHC, the province owns over 26,000 units located at more than 1,100 sites in Alberta. Over five years the plan is to provide:

- $118 million to renovate or repair up to 7,500 units based on a facility condition analysis;
- $80 million to redevelop up to 390 units on existing sites where renovations or repairs are not considered cost effective; and
- $62 million to replace 290 units through additions on existing sites to address emerging needs.

Implementation of the plan to end homelessness continues with $93 million in operating support in 2011-12.

Homeless Support. Implementation of the 10-year plan to end homelessness in Alberta continues. Nearly $93 million in operating support is budgeted in 2011-12, an increase of $7 million from the 2010-11 forecast. This will provide about 3,500 spaces in emergency/transitional shelters as well as outreach support services to assist an additional 500 homeless Albertans. Since 2009-10, about 3,000 Albertans who were homeless have been placed in permanent housing.

Capital grants totaling $100 million in 2011-12 and $232 million over three years will be provided to support housing programs. Over the next three years development of more than 1,500 additional housing units will be supported, with up to half provided for the homeless prevention initiative.

Rent Supplement Program. About 15,000 low-income households will receive rental assistance in 2011-12, as the program budget is increased slightly to $77 million.

Affordable Supportive Living Initiative (ASLI). Through ASLI, the government has increased the supply of affordable supportive living units to house low-income seniors and persons with disabilities. There is $75 million budgeted in 2011-12 for ASLI.

OTHER COMMUNITY INITIATIVES

Nearly $292 million in direct operating support to municipalities in 2011-12.

Operating Support to Municipalities. Municipalities will receive nearly $292 million in direct operating support in 2011-12 for services which help promote strong communities. This includes Family and Community Support Services, policing assistance and library services grants, among other programs. Direct operating support has increased by more than $4 million or 1.5% from 2010-11.

First Nations Development Fund. A portion of the proceeds from government-owned slot machines in First Nations casinos is allocated to the First Nations Development Fund. Economic, social and community development projects are supported through the Fund. In *Budget 2011*, $369.5 million over three years will be provided, including $115.5 million in 2011-12.

GOAL: *Provide the roads, schools, hospitals and other public infrastructure to meet the needs of a growing economy and population*

More details on infrastructure spending are provided in the Capital Plan chapter.

Key initiatives in *Budget 2011* that address this goal include:

- Municipal infrastructure support continues through the Municipal Sustainability Initiative and other programs.
- Significant investments will be made in the provincial highway network, and for health capital, schools and post-secondary institutions.
- Critical water and wastewater management projects are supported, including the *Water for Life* strategy.

MUNICIPAL INFRASTRUCTURE SUPPORT

$5.1 billion over three years in municipal infrastructure support.

The Capital Plan includes $5.1 billion over three years in municipal infrastructure support, an average of $1.7 billion per year, through the Municipal Sustainability Initiative and other programs.

Municipal Sustainability Initiative (MSI). MSI infrastructure support will be $2.7 billion over the next three years, including $836 million in 2011-12. This funding will help address core infrastructure needs in all municipalities.

Other Municipal Infrastructure Support. In addition to the MSI funding, another $2.4 billion will be provided over the next three years. In 2011-12, $792 million is provided:

- $391 million in municipal transportation grants, based primarily on five cents per litre of fuel delivered in Calgary and Edmonton, and $60 per capita for other urban municipalities;
- $200 million through the Federal Gas Tax Fund;
- $120 million for the Green Transit Incentives Program (GreenTRIP) to support municipal projects to improve and expand local, regional and inter-city public transit systems; and
- $81 million for other projects.

PROVINCIAL HIGHWAY NETWORK

$4.6 billion over three years for the provincial highway network.

The Capital Plan includes $4.6 billion over three years for the provincial highway network. In 2011-12, nearly $1.7 billion is provided:

- $661 million for construction and rehabilitation work on highways;
- $642 million to continue construction of the ring roads in Calgary and Edmonton; and
- $362 million to continue construction on the economic and trade corridors.

HEALTH, SCHOOLS AND POST-SECONDARY CAPITAL

$3.8 billion over three years for health, schools and post-secondary capital projects.

The Capital Plan includes a combined $3.8 billion over three years for health, schools and post-secondary capital projects. In 2011-12, nearly $1.6 billion is provided:

- $1 billion for health capital, including $309 million for the South Calgary Health Campus;
- $288 million for schools, including $142 million for the Alberta Schools Alternative Procurement (ASAP) Phase 2; and
- $251 million for post-secondary institutions, including funding to complete the SAIT Trades and Technology Complex and the Edmonton Clinic North.

WATER AND WASTEWATER MANAGEMENT

$751 million over three years for water and wastewater management capital projects.

The Capital Plan includes $751 million over three years for water and wastewater management. In 2011-12, $297 million is provided:

- $190 million for water/wastewater monitoring and other regional projects supporting the *Water for Life* strategy;
- $50 million for municipal water and wastewater partnership grants;
- $24 million for irrigation rehabilitation grants; and
- $33 million in other projects.

GOAL: *Ensure Alberta's energy resources are developed in an environmentally sustainable way*

Key initiatives in *Budget 2011* that address this goal include:

- Funding for greening energy production and carbon capture and storage is provided to support the *Climate Change Strategy.*
- The Bioenergy Producer Credit Program has been extended to 2016.
- Recommendations of the Regulatory Enhancement Task Force will be implemented.
- Implementation of *Responsible Actions: A Plan for Alberta's Oil Sands* continues.

CLIMATE CHANGE STRATEGY

Alberta's *Climate Change Strategy* continues to focus on greening energy production and implementing carbon capture and storage.

$68 million in payments from industry to the Climate Change and Emissions Management Fund in 2011-12.

Greening Energy Production. Through the Climate Change and Emissions Management Fund (CCEMF), support will be provided for greening energy production and climate change adaptation, among other areas. With $68 million in 2011-12, about $350 million in payments from industry will have been reported since the Fund was established in 2007-08. The CCEMF is administered by an independent, not-for-profit organization, the Climate Change and Emissions Management Corporation. To date, the Corporation has announced commitments to support 16 clean technology projects, with further support expected shortly for energy efficiency and renewable energy projects.

Through various Canada ecoTrust for Clean Air and Climate Change initiatives, support will be provided for projects that have a strong potential to reduce greenhouse gas emissions, including clean energy research and waste-to-energy conversion. Over $51 million is budgeted for ecoTrust initiatives in 2011-12.

Carbon Capture and Storage (CCS). The Capital Plan includes $70 million in 2011-12 and $518 million over three years for CCS projects. Work continues to finalize agreements with the proponents of the four major projects announced in 2009. In addition, funding is provided for a regulatory framework assessment which is intended to establish a CCS regulatory framework for Alberta.

BIOENERGY PRODUCER CREDIT PROGRAM

$336 million over three years to support biofuel initiatives.

In March, 2010 a five-year extension to the Bioenergy Producer Credit Program was announced. The program provides incentives to develop bioenergy products, helping to support the Renewable Fuels Standard to be implemented in April 2011. It will encourage development of new technologies and facilities that use non-food crops, waste biomass or wood fibre to produce products including fuels, power and heat. *Budget 2011* includes $336 million in support for biofuel initiatives over three years, including $58 million in 2011-12.

REGULATORY ENHANCEMENT PROJECT

Budget 2011 includes $10 million in both 2011-12 and 2012-13 to implement the recommendations of the Regulatory Enhancement Task Force, with the costs to be offset by a special industry levy. The Task Force recommendations include establishing a new Policy Management Office to integrate natural resource policies of various provincial departments, and creating a single regulatory body for upstream oil and gas activities.

A PLAN FOR ALBERTA'S OIL SANDS

Responsible Actions: A Plan for Alberta's Oil Sands calls for timely investment in infrastructure in the oil sands regions. *Budget 2011* includes $58 million in 2011-12 for Housing and Urban Affairs to continue on-site development at Parsons Creek. As well, funding is provided to complete three major transportation projects within Fort McMurray: a new five-lane bridge over the Athabasca River will be completed in fall 2011, and two new interchanges on Highway 63 at Thickwood Boulevard and Confederation Way will open in fall 2012.

OTHER ENVIRONMENTAL INITIATIVES

Water for Life. In addition to $190 million in capital support, $25 million in operating support will be provided in 2011-12 to continue implementation of Alberta's *Water for Life* strategy.

$17 million for environmental monitoring, science and reporting in 2011-12.

Environmental Monitoring, Science and Reporting. About $17 million is provided in 2011-12, an increase of $3 million or over 21% from the 2010-11 forecast. The recently appointed environmental monitoring panel will provide recommendations to government by June 2011 on the development of a world-class monitoring, evaluation and reporting system for Alberta's oil sands.

Land Stewardship Fund. In 2010-11, the Land Stewardship Fund was established to help achieve the government's conservation and stewardship objectives. Public lands that are not required to meet sustainable development or conservation goals may be sold, and the proceeds paid into the Fund. These proceeds are then used to acquire environmentally sensitive lands and habitat areas for species at risk. In *Budget 2011*, $15 million over three years is budgeted for this purpose.

REVENUE OUTLOOK

Budget 2011
Building **a better Alberta**

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REVENUE OUTLOOK

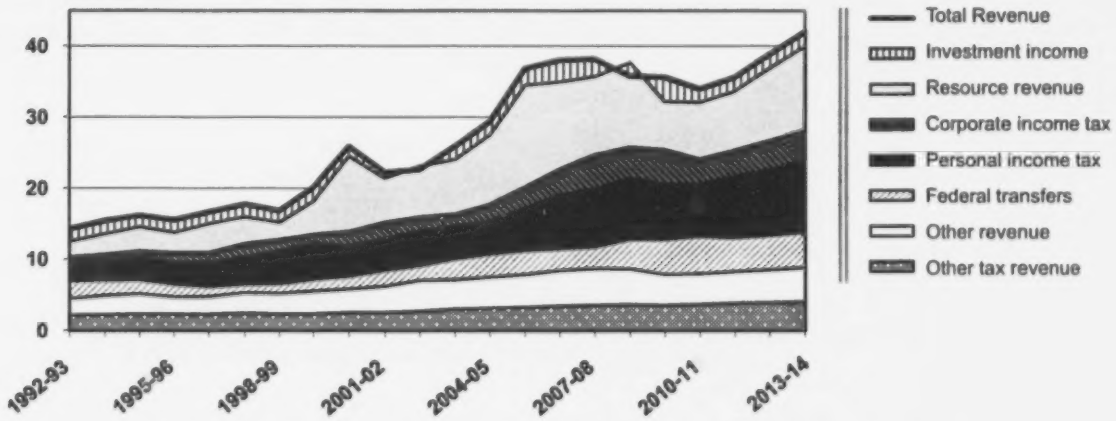
HIGHLIGHTS

- Total revenue expected to increase by $1.6 billion, or 4.7%, to $35.6 billion in 2011-12, and average 8.6% growth for the next two years, based on continued moderate Alberta and global economic growth.
- Resource revenue forecast to increase $319 million, or 4%, to $8.3 billion and to average 19.4% growth for the next two years, mainly due to increasing bitumen royalties.
- 2011-12 forecasts: oil price of US$89.40 per barrel (bbl); natural gas price (Alberta Reference Price) of Cdn$3.45 per gigajoule (GJ); US-Canadian dollar exchange rate of 98.38¢.
- Tax revenue estimated at $16.2 billion, up 11.1% from 2010-11, while federal transfers are down 9.6% as stimulus programs wind down.

REVENUE OUTLOOK

After growing at exceptional rates for about a decade, Alberta government revenue peaked at $38 billion in 2006-07 and 2007-08. Revenue then declined severely, caused by the global financial market crisis and recession. It fell $2.4 billion in 2008-09 due mainly to large investment losses from collapsing equity markets. The recession lowered demand for, and prices of, energy commodities in 2009, resulting in a drop of $5.1 billion in non-renewable resource revenue. The decline was moderated by rebounding investment income and surprisingly strong corporate income tax revenue.

Total Revenue, 1992–93 to 2013–14
(billions of dollars)



In 2002-03 and 2008-09, the value of Alberta's investment assets fell. This is accounted for as negative income.

Forecast revenue in 2010-11 shows a decline of $1.7 billion, or 4.7% from 2009-10. Personal and corporate income tax revenue is $1.8 billion lower than in 2009-10, while investment income is $1.6 billion below the record levels achieved in 2009-10. A $1.2 billion improvement in resource revenue and $332 million increase in federal transfers partially offset these declines.

In 2011-12 forecast revenue will increase to $35.6 billion.

In 2011-12, total revenue is forecast to increase $1.6 billion, or 4.7% to $35.6 billion, primarily from a $1.6 billion increase in tax revenue, partly offset by $0.5 billion lower federal transfers as several stimulus programs wind down. The 2011-12 forecast also includes $151 million in revenue initiatives, including the elimination of fuel tax rebate programs and increases to a number of fees.

With improved overall global economic and energy price prospects, the outlook for Alberta revenue in *Budget 2011* is positive. Strong revenue growth, averaging 8.6% per year, is forecast for 2012-13 and 2013-14. Investment income will remain relatively flat as earnings from the Sustainability Fund are forecast to fall as the Fund is drawn down.

Total Revenue
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Personal income tax	7,877	8,648	7,472	8,693	9,345	10,058
Corporate income tax	4,754	3,113	3,400	3,608	3,971	4,312
Other tax revenue	3,561	3,792	3,681	3,866	3,956	4,053
Non-renewable resource revenue	6,768	7,315	8,002	8,321	10,234	11,864
Federal transfers	4,941	5,090	5,273	4,768	4,845	4,972
Investment income	3,413	1,947	1,854	1,927	1,880	1,946
Other revenue	4,344	4,063	4,300	4,406	4,601	4,799
Total Revenue	**35,658**	**33,968**	**33,982**	**35,589**	**38,832**	**42,004**

Revenue growth in Budget 2011 *is strong, but revenue remains below the level forecast in* Budget 2010.

While the *Budget 2011* forecast is for strong revenue growth over the next three years, total revenue is expected to remain below the *Budget 2010* forecast, by $1.7 billion in 2011-12 and $1.4 billion in 2012-13. This mainly relates to lower forecasts for income tax revenue and natural gas and conventional oil royalties, partly offset by higher land sales and bitumen royalties. Part of the reduction in natural gas and conventional oil royalties relates to changes to the royalty framework implemented after the *Budget 2010* forecast was prepared.

- *Budget 2010* underestimated the impact of the 2009 global recession on Alberta. The economy contracted 4.5%, rather than by the 2.5% assumed in *Budget 2010*. This caused the base for personal income tax forecasts for 2010-11 and subsequent years to be overestimated.
- The economic downturn was expected to impact corporate income tax revenue in 2009-10, but cash installment payments from corporations were much stronger than expected. The weakness has occurred instead in 2010-11, with revenue dropping $1.4 billion from 2009-10.
- Rapid increases in the production of shale gas in the United States have boosted natural gas production and storage levels, depressing prices. The *Budget 2011* price forecasts are lower than the *Budget 2010* forecasts, in 2011-12, by Cdn$1.80/GJ, and in 2012-13, by Cdn$1.45.

- The *Budget 2011* oil price forecast for 2011-12 is higher than the forecast in *Budget 2010*. However, conventional oil royalties are lower mainly due to the changes to the royalty framework, including the 5% new well royalty rate being permanently incorporated into the framework, rather than being reported separately as part of the drilling stimulus initiatives, as in 2010-11.

Budget 2010 and _Budget 2011_ Revenue Forecasts
(millions of dollars – *Budget 2011* basis)

	2011–12			2012–13		
	Budget 2010	*Budget 2011*	*Change*	*Budget 2010*	*Budget 2011*	*Change*
Personal income tax	9,267	8,693	*(574)*	10,067	9,345	*(722)*
Corporate income tax	3,793	3,608	*(185)*	4,442	3,971	*(471)*
Natural gas royalty	2,565	1,022	*(1,543)*	2,281	1,198	*(1,083)*
Crude oil royalty	2,223	1,925	*(298)*	2,255	2,022	*(233)*
Crown lease sales	605	1,068	*463*	557	1,195	*638*
Bitumen royalty	4,136	4,123	*(13)*	5,112	5,644	*532*
Other revenue	14,717	15,150	*433*	15,529	15,457	*(72)*
Total Revenue	**37,306**	**35,589**	***(1,717)***	**40,243**	**38,832**	***(1,411)***

NON-RENEWABLE RESOURCE REVENUE

2010–11 FORECAST

Resource revenue is forecast to be $8 billion in 2010-11.

Non-renewable resource revenue is forecast to be $8 billion in 2010-11, $1.2 billion higher than 2009-10. The increase is related primarily to very strong Crown lease sales and increasing bitumen royalties, partly offset by higher-than-expected drilling stimulus initiatives claims and the impact on royalties of the higher US-Canadian dollar exchange rate.

Bid prices for Crown leases were very high in the summer of 2010. Revenue in 2010-11 from Crown lease sales is forecast at $2.3 billion, $1.2 billion higher than in 2009-10. The high prices and increased hectares sold are thought to be related to horizontal oil and shale gas plays and indicate solid investor confidence in Alberta.

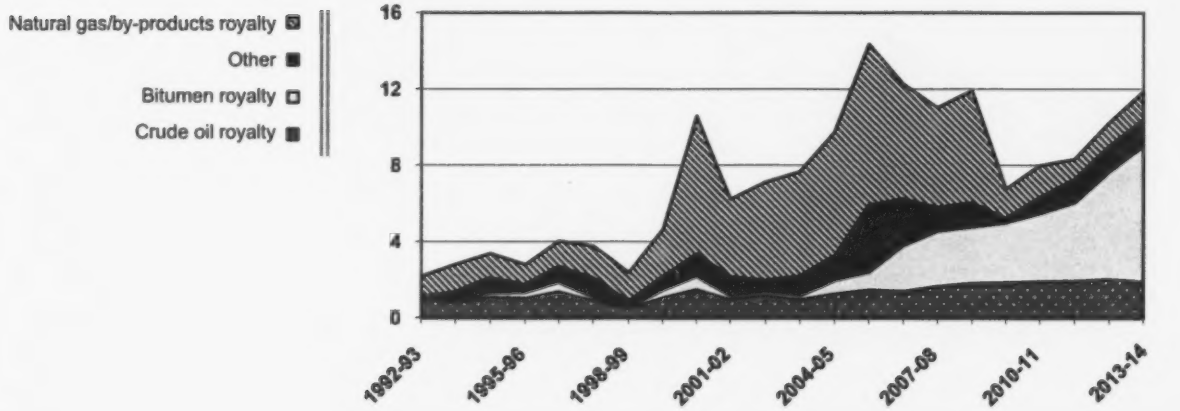
Bitumen royalties are forecast at $3.6 billion, $407 million higher than 2009-10, and $318 million higher than estimated in *Budget 2010* due primarily to lower operator costs, in part from lower natural gas prices. Bitumen royalties for projects that have recovered their costs are based on profitability, so lower production costs increase profits and thus royalties. During the year, pipeline disruptions in the US midwest affected demand for, and thus prices of, bitumen and crude oil exports from western Canada, dampening production and in turn lowering the forecast in the *2010-11 Second Quarter Fiscal Update*. However, the forecast has now improved, based on recent strengthening of global demand and oil prices, and some resolution of pipeline issues.

Conventional oil royalties are forecast $225 million lower than estimated in *Budget 2010*, but are $64 million above 2009-10. Even though the forecast 2010-11 oil price, at US$81.45/bbl, is over $10 higher than in 2009-10, the higher US-Canadian dollar exchange rate and pipeline disruptions have mostly offset the increase.

Natural gas royalties are forecast at $1.7 billion, $129 million above 2009-10, but $207 million lower than the *Budget 2010* forecast. Natural gas storage levels remain close to record highs, from increasing US shale gas production that is growing faster than demand. As a result, natural gas prices are forecast to average Cdn$3.26/GJ for 2010-11, Cdn$0.99 lower than the *Budget 2010* forecast and Cdn$0.32 below 2009-10.

Drilling stimulus initiatives for conventional oil and natural gas are forecast to reduce revenue by $1.7 billion, a $928 million increase from the estimate in *Budget 2010*. Increased conventional oil drilling has increased the quantity of oil receiving the 5% new well royalty rate. Drilling credit claims have been higher due to a larger portion of total royalties being claimed by smaller companies, which are eligible for higher refunds on their royalties.

Non-Renewable Resource Revenue, 1992–93 to 2013–14
(billions of dollars)



2011–14 FORECAST

In 2011-12, resource revenue is forecast to increase by $319 million, to $8.3 billion, which is 23% of total 2011-12 revenue. Bitumen royalties, which have quickly become the largest portion of Alberta's resource revenue, are forecast at $4.1 billion, an increase of $556 million, while natural gas royalties, which dominated royalty revenue for years, are forecast at just over $1 billion. Part of the year-over-year decline in natural gas and conventional oil royalties is due to the permanent incorporation of the 5% new well royalty rate feature of the drilling stimulus initiatives into the royalty framework, as opposed to reporting it separately, as in 2010-11.

Crown lease sales are forecast to decline $1.3 billion as the number of hectares sold is expected to return to the historical average. At $2.3 billion in 2010-11, revenue was the third-highest on record, behind only 2005-06 and 2006-07.

OIL ROYALTIES

The outlook for oil prices is positive.

Bitumen and conventional oil royalties are estimated to account for 73% of non-renewable resource revenue in 2011-12. The outlook for oil is positive, as the continuing global economic recovery is expected to boost prices. Growth

in China and other developing nations is forecast to drive demand past pre-recession levels in 2011. Crude oil prices are forecast to rise from US$81.45/bbl in 2010-11 to US$95.75 by 2013-14.

Oil Assumptions

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Revenue ($ millions)						
Crude oil royalty	1,848	2,137	1,912	1,925	2,022	1,886
Bitumen royalty	3,160	3,249	3,567	4,123	5,644	7,141
Price						
West Texas Intermediate (US$/bbl)	70.71	78.75	81.45	89.40	95.50	95.75
WCS @ Hardisty (Cdn$/bbl)	61.52	65.94	64.38	72.02	78.32	80.17
Production (000's barrels/day)						
Conventional	449	424	471	484	470	459
Non-conventional	1,493	1,771	1,631	1,850	2,119	2,357

Bitumen royalties account for nearly 50% of non-renewable resource revenue in 2011-12. Bitumen prices have been relatively high compared to conventional crude oil prices for several years, due to reductions in heavy oil supply from OPEC and lower production from Mexico and Venezuela, and to increased demand from expanded US upgrading capacity. In 2011-12, prices are estimated to climb to Cdn$72.02/bbl from Cdn$64.38 in 2010-11, and continue to rise, reaching Cdn$80.17 by 2013-14. In addition, bitumen production is expanding, by an average of 13% per year from 2010-11 to 2013-14, with completion of several new projects.

Royalties from bitumen are expected to reach $7.1 billion by 2013-14.

Mainly as a result of higher forecast prices and production, royalties are expected to increase 16% in 2011-12, to $4.1 billion, and then by an average of 32% per year, reaching $7.1 billion by 2013-14. An increasing number of projects are expected to reach "payout," when total revenue from the project exceeds total development costs. Projects in payout pay higher royalty rates: prior to payout, royalties are between 1–9% of gross revenue (depending on the WTI price in Canadian dollars), while post-payout, royalties are the greater of 1–9% of gross revenue, or 25–40% of the project's net revenue.

All oil sands projects pay royalties based on bitumen production. Where the bitumen is not disposed of through arm's length transactions, a methodology is required for determining price. Alberta Energy has prescribed, by Ministerial regulation, a methodology that uses the density of the bitumen and the price of the Western Canadian Select blend at the Hardisty hub.

The Suncor and Syncrude projects are on a somewhat different footing because their respective Royalty Amending Agreements with the Crown provide them with a contractual assurance of reasonable adjustments for quality and transportation relative to the Western Canadian Select blend. Currently there are disagreements between Alberta Energy and Suncor and Syncrude as to what constitutes the required reasonable adjustments. These disagreements are being addressed in accordance with the dispute resolution procedures established by the respective Royalty Amending Agreements.

The Crown may, by regulation, take bitumen royalties "in kind" rather than in cash. Receiving the physical product would enable the Crown to supply upgraders, refineries or pipelines, or otherwise use the bitumen in the best interests of Albertans. Alberta Energy is in the preliminary stages of developing regulations for taking bitumen royalties in kind commencing January 2013. *Budget 2011* assumes no difference in revenue between cash royalties and royalties received in kind.

Alberta Energy is in negotiations to supply bitumen for processing at a bitumen refinery expected to commence operations in 2014. *Budget 2011* contains no forecast for financial impacts.

Conventional oil royalties are expected to remain relatively flat.

Conventional oil royalties account for 23% of non-renewable resource revenue in 2011-12. Production increased 4.9% in 2010-11 and is expected to rise by a further 2.8% in 2011-12 to 484,000 barrels per day, before declining to 459,000 barrels per day by 2013-14. Royalties are estimated to increase by 0.7%, to $1.9 billion in 2011-12, and to remain relatively flat over the following two years, as higher prices are offset by declining production and are mitigated somewhat by the changes to the royalty framework which flattened the rate structure.

ENERGIZING INVESTMENT

Alberta's energy sector faces considerable challenges. While Alberta's reserves of oil and natural gas are vast, they are increasingly found in places costlier and riskier to develop. The emergence of low cost production in other jurisdictions, such as shale gas in the US that also costs less to transport to major, closer US markets, further erodes Alberta's competitive position.

To address these challenges, the government, together with industry, conducted a comprehensive review of Alberta's natural gas and conventional oil investment competitiveness in 2009-10. As a result, a number of changes to the royalty framework were announced in March and May of 2010, intended to improve Alberta's competitiveness and encourage development of new technology.

The temporary incentive that allowed all new natural gas and conventional oil wells to pay a 5% royalty rate for the first year of production or until the well reached a production ceiling, is now a permanent feature of the royalty system. Royalty rates are lower at a given price and production level than under the old framework, and the maximum royalty rate is reduced. The maximum royalty rate for conventional oil wells is reduced from 50% to 40%. For natural gas wells, the rate is reduced from 50% to 36%. These changes became effective on January 1, 2011.

Several initiatives address the development of unconventional and deep resource pools. Shale gas, coalbed methane and horizontal gas and oil wells are eligible for an extension of the 5% royalty rate. That extension is either for a longer time period and/or a higher production limit. The Natural Gas Deep Well Drilling Program was expanded to include more wells. These changes were effective May 1, 2010.

SHALE GAS

Shale gas is natural gas stored in organic rich rocks such as dark-coloured shale. Reserves of shale gas in North America are very large, but it is only recently that technology has advanced to the point where it is economical to develop these reserves. Most of the shale gas currently in production is located in the south and eastern United States. The reserves in this area are considerable, and their proximity to major markets provides a cost advantage to their production. The number of active horizontal drilling rigs which drill for shale gas in the US increased over 60% from October 2009 to October 2010, and this trend is expected to continue.

While there is also huge shale gas potential in Alberta, production is currently in the very early stages and commercial development is not likely to occur in the immediate future.

NATURAL GAS AND BY-PRODUCT ROYALTY

Natural gas royalties continue to decline as a share of total non-renewable resource revenue, and are estimated to account for only 12% of non-renewable resource revenue in 2011-12. The drop has been sudden and sharp, as natural gas royalties made up as much as 72% of non-renewable resource revenue in 2002-03 and were 49% of the total as recently as 2008-09. Natural gas royalties in 2011-12 are forecast at $1 billion, $632 million lower than 2010-11.

Natural Gas Assumptions

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Revenue ($ millions)	1,525	1,861	1,654	1,022	1,198	1,466
Price (Cdn$/GJ)	3.58	4.25	3.26	3.45	4.05	5.00
Production (billions of cubic feet)						
Conventional	4,473	3,971	4,191	3,780	3,469	3,230
Coalbed methane	279	313	274	275	277	283

The outlook for natural gas is not expected to improve significantly in the short term. High production from US shale gas wells has kept natural gas storage levels close to the record highs reached last year. Prices are expected to remain relatively flat, rising from Cdn$3.26/GJ in 2010-11 to Cdn$3.45 in 2011-12. Over the medium term, natural gas demand and prices are expected to strengthen, with the US economy gaining momentum and new US gas-fired electricity plants replacing coal-fired plants. Gas prices are forecast to rise to Cdn$5.00 by 2013-14.

Although conventional natural gas production exceeded the *Budget 2010* estimate, it still fell by 6.3%, to 4,191 billion cubic feet in 2010-11. Conventional production is forecast to fall in 2011-12 by another 9.8%.

Immediate outlook for natural gas sector is weak.

The weak outlook for prices, declining production and changes to the royalty framework, including directly incorporating drilling stimulus features into royalty revenue, rather than reporting them separately, result in an expected 38% drop in natural gas royalties in 2011-12. Royalties are then expected to increase to $1.5 billion by 2013-14, though this is far below mid-2000 levels.

Non-Renewable Resource Revenue
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Bitumen royalty	3,160	3,249	3,567	4,123	5,644	7,141
Crude oil royalty	1,848	2,137	1,912	1,925	2,022	1,886
Natural gas and by-products royalty	1,525	1,861	1,654	1,022	1,198	1,466
Bonuses and sales of Crown leases	1,165	630	2,333	1,068	1,195	1,205
Rentals and fees	158	135	161	141	136	130
Coal royalty	31	35	35	42	39	36
Drilling stimulus initiatives	(1,119)	(732)	(1,660)	-	-	-
Total Resource Revenue	**6,768**	**7,315**	**8,002**	**8,321**	**10,234**	**11,864**

ENERGY PRICE FORECASTS BY OTHER ORGANIZATIONS

Most forecasters are predicting rising oil and natural gas prices in the next three years, though there are differences on the size of the increase. In 2011-12, there is a range of US$21.25/bbl for oil prices and of Cdn$1.52/GJ for natural gas prices. The average forecast for oil prices is $90.36/bbl and for natural gas prices is Cdn$3.66/GJ.

Comparison of Energy Price Forecasts
Private Forecasters [a]

	High	Low	Average	*Budget 2011*
2011–12				
Oil price (WTI US$/bbl)	102.50	81.25	90.36	*89.40*
Natural gas price (Cdn$/GJ)	4.50	2.98	3.66	*3.45*
2012–13				
Oil price (WTI US$/bbl)	107.60	83.75	93.17	*95.50*
Natural gas price (Cdn$/GJ)	5.23	2.95	4.23	*4.05*
2013–14				
Oil price (WTI US$/bbl)	101.38	80.00	92.07	*95.75*
Natural gas price (Cdn$/GJ)	6.01	3.86	4.73	*5.00*

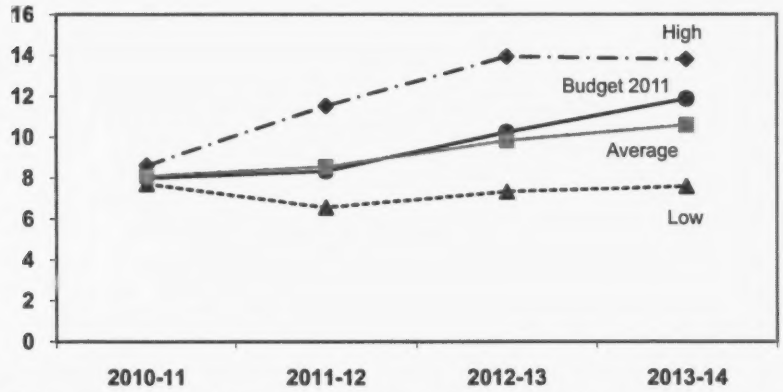
[a] Private forecasts have been converted to a fiscal year basis, and for natural gas prices, from Henry Hub US$/MMBTU basis to Cdn$/GJ.

Government energy price forecasts are in line with private sector averages.

The government's oil and gas price forecasts are in line with the consensus that prices will improve over the next three years. The government's 2011-12 oil and gas price forecasts are slightly below the average of private forecasters. The *Budget 2011* oil price forecast is slightly above the average for both 2012-13 and 2013-14, while the gas price forecast is below the average for 2012-13 and above it for 2013-14.

Based on this range of prices, resource revenue could be between $6.6 billion and $11.5 billion in 2011-12. Actual forecast revenue is $8.3 billion compared to $8.5 billion at the average of private forecasters' prices.

Energy Revenue Scenarios [a]
(billions of dollars)

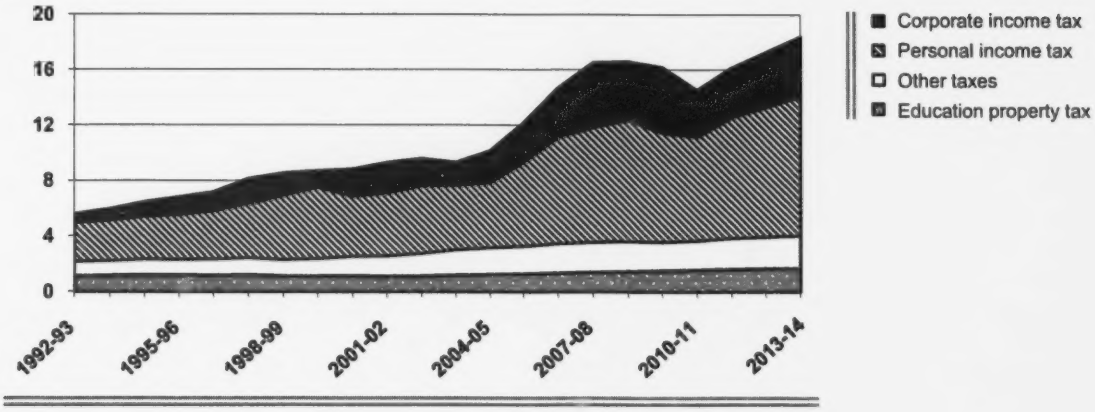


[a] Energy revenue scenarios are based on a survey of oil and natural gas price forecasts. Not all of these are publicly released.

TAX REVENUE

Tax revenue, which accounts for about 45% of total revenue, is estimated at $16.2 billion in 2011-12, an increase of $1.6 billion from 2010-11, due primarily to higher personal and corporate tax revenue.

Tax Revenue, 1992–93 to 2013–14
(billions of dollars)



PERSONAL INCOME TAX REVENUE

Personal income tax (PIT) revenue in 2010-11 is forecast at $7.5 billion, $405 million lower than 2009-10 and $1.2 billion lower than forecast in *Budget 2010*. The effects of the recession on Alberta were worse than originally assumed when *Budget 2010* forecasts were prepared in January 2010. Real GDP dropped by 4.5% as opposed to an assumed 2.5%, and personal income declined by 0.5% as opposed to growing by an assumed 1.3%. As a result, the base for the forecasts for 2010-11 and subsequent years were too high.

Worse-than-expected recession in 2009 has meant a downward revision to PIT revenue forecast in 2010-11 and subsequent years.

Taxpayers only filed their 2009 taxes in spring 2010, with the Canada Revenue Agency then taking several months to process them. Thus only an estimate for 2009 PIT revenue could be used when producing the *Budget 2010* forecast of PIT revenue for 2010-11 and subsequent years. Similarly, 2009-10 actual PIT revenue reported in the *2009-10 Government of Alberta Annual Report* audited financial statements, by June 30th, was still an estimate, and in fact also included a forecast for one quarter of the 2010 tax year. Actual PIT revenue for the prior fiscal year only becomes clear in the fall after most of the returns have been processed.

Since the effects of the recession were much worse than originally understood, the PIT forecasts for 2010-11 and subsequent years have been reduced significantly. In addition, a prior years' negative adjustment of $623 million is taken against 2010-11 revenue to correct for the overstatement of 2009 PIT revenue published in the *2009-10 Government of Alberta Annual Report*. This obscures the underlying year-over-year trend.

A strengthened economy has improved growth forecasts and PIT revenue is expected to reach $8.7 billion in 2011-12.

PIT revenue is forecast at $8.7 billion in 2011-12, $1.2 billion, or 16%, higher than 2010-11. Excluding the prior years' adjustment, base revenue is forecast to grow 7.4% in 2011-12, reflecting forecast personal income growth of 5.9% in 2011 and 6.3% in 2012. Personal income is expected to continue to grow strongly, resulting in average growth in PIT revenue of 7.6% over the following two years, with revenue forecast to reach $10.1 billion by 2013-14.

Personal Income Tax Revenue
(millions of dollars)

	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Base revenue	8,095	8,693	9,345	10,058
Adjustments to prior years	(623)			
Total	**7,472**	**8,693**	**9,345**	**10,058**
Base revenue change (%)	-	7.4	7.5	7.6

CORPORATE INCOME TAX REVENUE

The positive outlook for the Alberta economy is expected to boost CIT revenue to $4.3 billion by 2013-14.

Corporate income tax (CIT) revenue is forecast at $3.4 billion in 2010-11, $287 million higher than *Budget 2010* forecast. This is $600 million less than the 2010-11 first quarter forecast of $4 billion. The forecast was increased at first quarter as strong corporate cash installment payments received in 2009-10 suggested stronger 2010-11 CIT revenue than initially anticipated in *Budget 2010*. The strength did not in fact continue in 2010-11, in part due to a lag in the recession's impact on CIT revenue.

CIT revenue is forecast to increase $208 million, or 6.1% in 2011-12 to $3.6 billion, as economic growth and profitability improve. The positive outlook for the Alberta economy and the energy sector in particular, is expected to boost CIT revenue by an average of 9.3% per year, reaching $4.3 billion by 2013-14. There is substantial risk associated with the forecast, as corporations, while profitable, can reduce tax owing through various discretionary deductions such as carrying forward previous year losses.

Corporate Income Tax Revenue
(millions of dollars)

	2009-10 Actual	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Total	**4,754**	**3,400**	**3,608**	**3,971**	**4,312**
Revenue change (%)		(28.5)	6.1	10.1	8.6

EDUCATION PROPERTY TAX REVENUE

Education property tax revenue is forecast at $1.6 billion in 2011-12, an increase of $51 million, or 3.2%, from 2010-11. This reflects the continuation of the policy of only capturing actual growth in the property assessment base –additions of new buildings or improvements to existing ones– and not capturing the impact of inflation on the assessment base. As a result, even though revenue is increasing, mill rates are being reduced by almost 8%.

OTHER TAX REVENUE

Revenue from other taxes is forecast at $2.2 billion, an increase of $134 million, or 6.4%, from 2010-11. Most of these taxes are consumption-based, and revenue generally grows in line with the economy and population.

Revenue from other taxes is forecast at $2.2 billion for 2011-12.

Changes to fuel tax rebate programs are estimated to increase revenue by $65 million in 2011-12. Many industry sectors operating licensed vehicles off-road are eligible for rebates on fuel tax under the Tax Exempt Fuel Use (TEFU) program. Fuel used in these vehicles after midnight tonight will no longer be eligible for rebates. Unlicensed vehicles, machinery and equipment using fuel for eligible off-road activities will continue to qualify for fuel tax exemptions under the marked fuel component of TEFU. These changes will not affect fuel tax benefits for farmers. More details are available in the Tax Plan.

Other tax revenue is forecast to increase by an average of 2.7% in the following two years, reaching $2.4 billion by 2013-14.

Tax Revenue
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Personal income tax	7,877	8,648	7,472	8,693	9,345	10,058
Corporate income tax	4,754	3,113	3,400	3,608	3,971	4,312
Education property tax	1,532	1,592	1,583	1,634	1,666	1,700
Other taxes	2,029	2,200	2,098	2,232	2,290	2,353
Total	**16,192**	**15,553**	**14,553**	**16,167**	**17,272**	**18,423**

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers, which make up about 13% of total revenue, are forecast to drop 9.6% to $4.8 billion in 2011-12, mainly due to the expiration of several major federal stimulus transfer programs.

Albertans continue to contribute more to, and get back less from the federal government than citizens of any other province. In 2010, Albertans paid an estimated $14 billion, or $3,875 per capita, more to the federal government in taxes and other payments than the federal government provided in services and transfers to Albertans.

Albertans continue to contribute more to, and get back less from the federal government than citizens of other provinces.

HEALTH TRANSFERS

Health transfers, almost entirely comprising the Canada Health Transfer (CHT), are estimated at $2.3 billion in 2011-12, an increase of $100 million, or 4.5%, from 2010-11. Health transfers are expected to grow at an average of 5.1% in the following two years, reaching $2.5 billion by 2013-14.

The calculation of how much CHT each province receives from the federal government begins with an equal per capita allocation to each province of the total national CHT entitlement. The total entitlement includes a cash component, which the federal government increases every year by 6%, and a

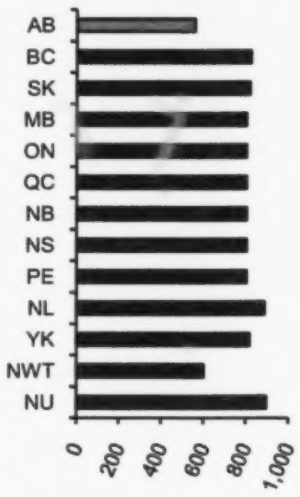
All other provinces will receive at least $805 in CHT per capita cash in 2011-12, while Alberta will only receive $558.

national "tax transfer" component. The tax transfer represents the current day value to provinces of income tax points transferred in the 1970s. The historical tax transfer involved the federal government reducing its income tax rates, which allowed provinces to increase rates by an equivalent amount.

The equal per capita total CHT entitlement initially allocated to provinces is then reduced by deducting the current value of each province's historical tax transfer. Since Alberta has the highest average incomes in the country, the value of Alberta's tax transfer is the highest among provinces on a per capita basis. With the higher tax transfer deduction, Alberta ends up with significantly less CHT cash per capita than other provinces.

CANADA HEALTH TRANSFER PER CAPITA CASH, 2011–12

(dollars per capita)



Source: Government of Canada

In 2007, the federal government legislated equal per capita CHT cash for all provinces beginning in 2014-15. Alberta welcomed this commitment to fair treatment, although would have preferred an immediate transition to equal per capita CHT cash.

In 2007, Alberta and Ontario were the only two provinces with per capita CHT cash below the national average because of higher-valued tax transfers. However, when Ontario began qualifying for Equalization payments in 2009-10, mainly because of Ontario's weak resource revenue base, the federal government revised its legislation so Ontario would receive the same CHT per capita cash as other "have-not" provinces. The legislative changes also guaranteed that Ontario would continue receiving this treatment regardless of whether Ontario remained an Equalization recipient.

This is clearly unfair to Albertans. All other provinces will receive at least $805 in CHT per capita cash in 2011-12, while Alberta will only receive $558. This short-changes Albertans by over $900 million, even as Albertans contribute more per person to federal coffers than any other province.

CANADA SOCIAL TRANSFER

The Canada Social Transfer (CST) supports post-secondary education and social programs, and is allocated to provinces on an equal per capita basis. CST revenue is estimated to increase 3.7% to $1.3 billion in 2011-12, due to the legislated 3% increase in the total national transfer and Alberta's increasing share of the national population. CST revenue is forecast to increase an average of 3.5% for the next two years, reaching $1.4 billion by 2013-14.

OTHER FEDERAL TRANSFERS

Other federal transfers, agriculture support programs and transfers under labour market agreements are forecast at $1.2 billion in 2011-12, a $650 million, or 35% decrease from 2010-11. The decrease is mainly due to the winding down of several major federal stimulus programs for infrastructure, community development and job skills, and to the $198 million provided in 2010-11 for flood, wildfire and agriculture disaster assistance.

Transfers from Government of Canada
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Health transfers	2,329	2,072	2,202	2,302	2,412	2,542
Canada Social Transfer	1,188	1,224	1,215	1,260	1,304	1,351
Agriculture support programs	376	357	295	287	342	356
Labour market agreements	239	219	234	171	174	176
Other transfers	809	1,218	1,327	748	613	547
Total	**4,941**	**5,090**	**5,273**	**4,768**	**4,845**	**4,972**

INVESTMENT INCOME

Investment income has been very volatile in recent years. The loss of $1.9 billion in 2008-09, when financial markets crashed, was reversed in 2009-10, when a record $3.4 billion was realized as markets rebounded. In 2010-11, investment income is forecast at $1.9 billion, $93 million less than forecast in *Budget 2010*, due primarily to weak equity markets early in the fiscal year, which has reduced forecast realized income from the Heritage Savings Trust Fund and endowment funds. Markets did recover somewhat during the year, as market swings continued. The higher-than-expected balance in the Sustainability Fund increased income earned on its assets.

Investment income in 2011-12 is forecast at $1.9 billion.

Investment income in 2011-12 is forecast at $1.9 billion, an increase of 3.9%, or $73 million, from 2010-11. This is 5% of total revenue. Realized income from the Heritage and endowment funds is forecast to improve with moderate equity market performance forecast, while increased lending activity of Alberta Capital Finance Authority is expected to boost investment income. Investment income is forecast to be only slightly higher by 2013-14 as higher revenue from most sources is offset by lower Sustainability Fund earnings as the Fund is drawn down to offset deficits.

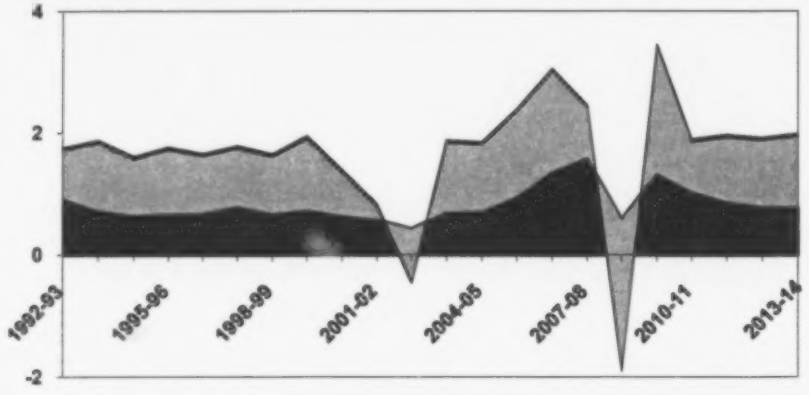
Investment Assets / Income
(millions of dollars)

	Assets as at Mar. 31, 2011	2009-10 Actual	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Heritage Fund	14,142	2,076	817	1,050	1,082	1,162
Endowment Funds [a]	2,648	327	157	198	189	197
Sustainability Fund	11,192	621	500	225	125	75
Alberta Capital Finance Authority	9,723	150	164	242	249	253
Agriculture Financial Services Corp.	2,676	99	101	115	138	162
Other [b]	1,426	140	115	97	97	97
Total	**41,807**	**3,413**	**1,854**	**1,927**	**1,880**	**1,946**

[a] Includes Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund.

[b] Assets include the Debt Retirement Account, Cancer Prevention Legacy Fund and Alberta Enterprise Fund; investment income includes income from these sources and other investment income from a number of smaller funds and accounts.

Investment Income, 1992–93 to 2013–14
(billions of dollars)



HERITAGE FUND AND ENDOWMENT FUNDS

These funds, with a forecast book value of $16.8 billion at March 31, 2011, are invested for long term growth, in diversified portfolios with riskier assets such as equities and illiquid investments including real estate, private equity and private infrastructure.

Income for 2010-11 is below the *Budget 2010* forecast, due to weaker equity markets earlier in the year, and lower-than-expected portfolio turnover, which results in less realized capital gains income. As these funds have significant holdings in foreign equities, the rising Canadian dollar also dampened returns.

The *Budget 2011* forecast is for lower-than-average returns across most asset classes. The speed of asset turnover has been decreased due to the way some investments are being managed. As a result, only moderate increases to realized income are expected over the forecast period. Heritage Fund income is forecast at $1.1 billion in 2011-12, an increase of 29% from lower than expected income in 2010-11. Heritage Fund investment income is forecast to increase by an average of 5.2% over the next two years, reaching $1.2 billion by 2013-14.

Heritage Fund income is forecast at $1.1 billion in 2011-12, a rebound of 29% from the prior year.

Heritage Fund Returns and Asset Mix[a]
December 31, 2010

Type of Investment	Expected Return (%)	Asset Mix (%)	Returns 5-Year	Returns 1-Year
Canadian public equities	7.0	11.3	6.8	19.3
Foreign public equities	7.0	32.9	(0.9)	6.2
Real estate	6.6	12.6	9.5	13.8
Private equity	7.0	6.1	4.1	4.6
Infrastructure	6.1	4.0	10.5	7.7
Timberlands	5.7	0.6	6.9	(0.8)
Absolute return strategies	7.0	5.9	3.2	13.1
Fixed income	3.5	23.8	5.0	9.9
Money market	4.0	1.5	2.5	0.8
Overlays	n.a.	1.2	n.a.	n.a.
Active management value added	1.0	n.a.	(0.4)	0.7
Overall			**3.9**	**9.6**

[a] Asset mix / annual returns reflect periods ending December 31, 2010 on a preliminary basis.

A 26% increase in investment income in 2011-12 is estimated for the endowment funds (Alberta Heritage Foundation for Medical Research, Alberta Heritage Scholarship and Alberta Heritage Science and Engineering Research). More capital gains than normal are expected to be realized, as assets are sold to achieve an asset mix more in line with that of the Heritage Fund. In 2012-13, income is forecast to decline 4.5% due to less turnover and lower capital gains. More normal returns are forecast for 2013-14, with an increase in income of 4.2%, to $197 million.

ALBERTA SUSTAINABILITY FUND

The purpose of the Alberta Sustainability Fund is to offset deficits. As a result, the Fund is invested in short to medium term, relatively liquid assets. Forecast income in 2010-11 is $500 million. With the Fund being drawn down to fund deficits, income is expected to decline 55% to $225 million in 2011-12, and to $75 million by 2013-14. The Fund's value at March 31, 2012 is forecast at $5.3 billion, and is forecast to decline to $2.4 billion by March 31, 2013 and to $1.7 billion by March 31, 2014.

ALBERTA CAPITAL FINANCE AUTHORITY AND AGRICULTURE FINANCIAL SERVICES CORPORATION

The Alberta Capital Finance Authority (ACFA) takes advantage of the province's AAA credit rating to borrow money which is then lent to municipal and local authorities at the same rates the province could borrow it for. ACFA therefore has almost identical liabilities (the funds borrowed) and assets (the funds lent to municipalities). As at March 31, 2011, ACFA is forecast to have assets of $9.7 billion. Income in 2010-11 on loans is forecast to be $164 million, while debt servicing costs on borrowing are forecast at $163 million.

In 2011-12, ACFA investment income is forecast to increase nearly 50%, to $242 million, due to increased municipal borrowing and higher interest rates. Increased borrowing is expected to continue, with income increasing an average of 2.2% per year, reaching $253 million by 2013-14.

The Agriculture Financial Services Corporation (AFSC) provides loans and guarantees to primary producers, value-added industries and commercial businesses. AFSC also delivers the government's agriculture insurance and income stabilization programs. Assets primarily include loans and investments, offset by liabilities for funds borrowed to finance loans, and outstanding insurance and financial obligations. Investment income includes interest from loans, and income earned from the investment of insurance fund balances.

The ACFA and AFSC provide low cost loans for municipal and local authorities, primary producers and others in Alberta.

At March 31, 2011, AFSC is forecast to have assets of $2.7 billion. Income on loans and investments in 2010-11 is forecast at $101 million, while debt servicing costs are forecast at $54 million. In 2011-12 investment income is estimated to increase to $115 million due to increased lending activity and higher insurance fund balances. Current strong commodity prices and consistently higher levels of participation in insurance programs are expected to result in higher premium revenue. Income is then forecast to increase by an average of 19% per year, reaching $162 million by 2013-14.

REVENUE FROM OTHER SOURCES

Revenue from other sources, which accounts for about 12% of total revenue, is forecast to increase $106 million, or 2.5%, to $4.4 billion in 2011-12, and then to average 4.4% growth per year and reach $4.8 billion by 2013-14.

GAMING AND LIQUOR REVENUE

Gaming and liquor revenue is forecast at $2.1 billion in 2011-12, an increase of 2.3%, after falling 2.9% in 2010-11. Gaming and liquor revenue is then expected to increase 2% per year reaching $2.2 billion by 2013-14. This trend reflects the swings in the economy, since gaming activities and liquor purchases tend to be more affected by economic conditions than other consumer spending. Thus, the healthy growth in personal income forecast for Alberta is expected to boost revenue.

ALBERTA TREASURY BRANCHES

Net income of Alberta Treasury Branches (ATB) was originally forecast to decline in 2010-11 to $99 million due to costs associated with ATB banking system technology upgrades. However, improved economic conditions meant lower loan losses and spreads between lending rates and rates paid on deposits broadened, increasing income. 2010-11 net income is now forecast to be $162 million.

ATB net income is estimated to increase to $180 million in 2011-12, driven by increasing interest rates. Efficiencies generated by the new banking system are expected to boost net income in 2012-13 and beyond. Annual income growth is forecast to average 27%, with net income reaching $292 million by 2013-14.

PREMIUMS, FEES AND LICENCES

Revenue raised by premiums, fees and licences reflects costs of providing services. Premiums, fees and licences revenue is estimated at $1.4 billion in 2011-12, an increase of $157 million, or 12.7% from 2010-11.

A number of fees are being increased, most of which have not been raised since 2002.

A number of fees are increased in *Budget 2011*, effective April 1, 2011, including fees for motor vehicles, land titles, corporate registries and park campsite reservations. These are estimated to generate an additional $86 million in revenue. Vehicle registrations are increasing to $75 from $61 and drivers' licence fees are increasing to $75 from $55. Most of these fees have not been raised since at least 2002. More details are available on page 83. Energy Resources Conservation Board levies are increased for two years to fund implementation of Regulatory Enhancement Task Force recommendations.

Revenue from crop and hail insurance premiums is forecast to increase, due to strong commodity prices and producer participation, while expected higher lumber demand and prices should boost timber rentals and fees.

Premiums, fees and licenses are forecast to increase an average of 4.4% per year for the following two years, reaching $1.5 billion by 2013-14.

OTHER REVENUE

Other revenue is expected to decline $116 million in 2011-12, to $727 million, as 2010-11 reflected revenue not expected to continue. This included $53 million recovered from Alberta Health Services for prior-year capital grants provided for projects which came in under budget, contributions for highway infrastructure and safety projects and Health Infoway funding.

Other revenue is forecast to increase to $800 million by 2013-14 due mainly to Parsons Creek development land sales in Fort McMurray.

Revenue from Other Sources
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Alberta Gaming and Liquor Commission	2,121	1,989	2,059	2,106	2,139	2,190
Alberta Treasury Branches	127	99	162	180	237	292
Premiums, fees and licences	1,145	1,258	1,236	1,393	1,445	1,517
Other	951	717	843	727	780	800
Total	**4,344**	**4,063**	**4,300**	**4,406**	**4,601**	**4,799**

Revenue Sources and Key Drivers

A significant portion of Alberta government revenues comes from non-renewable resources and investment income and is subject to considerable volatility. The following table describes Alberta's revenue sources and their key drivers.

Revenue Source and Key Drivers	Comments
Income Tax Revenue	
Personal Income Tax • Economic and labour market conditions that affect personal income • Number of taxpayers (population) • Inflation indexing	• Adjustments to correct for differences between actual tax assessed for prior years and the revenue reported in the Annual Report for prior years are included in current-year revenue. • Since forecasts for current and subsequent years are based on the estimated prior-years revenue, these forecasts are adjusted also. • Alberta is required to follow the federal definition of taxable income. • Indexing of tax credit amounts reduces revenue.
Corporate Income Tax • Corporate taxable income/profits • Economic conditions, labour and other costs, inflation, exchange rates, energy prices	• Volatile and difficult to forecast. • Timing and use of discretionary tax pools (e.g. capital cost allowances, loss and exploration and development pools) contribute to volatility. • Corporate installment payments are a good indicator of revenue. • Alberta administers the provincial corporate income tax system, but generally maintains consistency with the federal system.
Other Taxes	
Education Property Tax • New development and improvements to existing property.	• Tends to be a stable source of revenue. • Rates are adjusted to offset inflationary growth in assessment.
Other taxes • Tobacco, Fuel, Insurance Taxes, Tourism Levy - based on consumption and driven by population and economic growth • Freehold Mineral Rights Tax based on energy prices and production	• Tend to be relatively stable revenue sources. • Tobacco tax revenue affected by smuggling/criminal activity and tobacco-use reduction efforts.
Non-renewable Resource Revenue	
Bitumen royalty • Price and production • Bitumen valuation methodology • Investment and operating costs due to 'revenue minus cost' royalty regime • Environmental issues	• All oil sands projects have elected to pay royalties based on revenue and costs of bitumen production. • Technical outages for projects or pipelines have a major impact on profitability and royalties. • Lower production of heavy oil from OPEC, Mexico and Venezuela, combined with increased US upgrading capacity and therefore demand, have driven bitumen prices up.
Crude oil royalty • Price, production and exchange rate • New royalty framework • Global economy and geopolitical issues • OPEC influence and non-OPEC supply • Environmental issues	• Wide range of views on prices based on uncertainty about global economy, demand and supply, and strength of the US recovery. • Higher Canadian dollar negatively impacts revenue. • New royalty framework promotes drilling new wells and wells requiring new technologies to access the resource.
Natural gas and by-products royalty • Price, production and exchange rate • New royalty framework • US economy and shale gas development • Weather and environmental issues	• Increased US shale gas production has boosted natural gas storage levels and depressed prices, and lower production costs and proximity to US markets has impacted markets and Alberta competitiveness. • Higher Canadian dollar negatively impacts revenue. • New royalty framework promotes drilling new wells and wells requiring new technologies to access the resource.
Other • Includes bonuses and sale of crown leases, rentals and fees, and coal royalty • Activity in industry • Environmental issues	• Revenue from land sales reached $2.3 billion in 2010-11, highest level since 2006-07. • For oil sands, 98% of surface mineable area is leased, while 59% of the in-situ area is leased.

Revenue Sources and Key Drivers

Revenue Source and Key Drivers	Comments
Transfers from the Government of Canada	
• Includes Canada Health Transfer (CHT), Canada Social Transfer (CST), and transfers for agriculture support and labour market agreements • Federal policy and program parameters • Population and tax transfers	• The CST is based on population. • The CHT is based on population and value of tax transfers. • Alberta is the only province that does not receive equal per-capita CHT cash currently. This short-changes Alberta around $900 million per year. • Fiscal stimulus transfers introduced in 2009-10 are winding down. • Agriculture support programs are affected by weather, commodity prices, trade barriers, crop/livestock disease and pests.
Net Income from Commercial Operations	
Gaming and Liquor Revenue • Population • Personal income and economic conditions	• Gaming and liquor revenue influenced by economic and societal trends and disposable income.
Other • Mainly Alberta Treasury Branches (ATB) • Economic and business conditions	• ATB income is affected by loan defaults and investment gain/losses. • ATB retains its net income to be reinvested.
Premiums, Fees and Licences	
Other Premiums, Fees and Licences • Includes motor vehicle licences, crop and hail insurance premiums, ERCB levies, land titles and other fees • Mainly volume/population driven	• The Supreme Court ruled that fees must correspond to the costs of providing the good or service unless the amounts are legislated. • Revenue driven by housing starts and sales, and demand for vehicle registrations, and various other goods and services. • Crop and hail insurance premiums are affected by commodity prices, producer participation, crop conditions, and exchange rates.
Investment Income	
Long-term investments • Alberta Heritage Savings Trust Fund and endowment funds • Global equity markets • Interest and exchange rates	• In the short-term, realized income is volatile due to market fluctuations, but over the longer-term, swings in income are expected to even out. • Interest rate movements impact income as they change market prices of bonds, while exchange rate changes affect returns on foreign assets.
Loan/Insurance portfolios • ACFA and AFSC • Interest rates • Amount of municipal borrowing • Health of agriculture sector and availability of conventional borrowing sources	• Objectives of provincial agencies are policy-oriented, not focused on maximizing investment returns.
Short to medium-term investments • Primarily Sustainability Fund • Interest rates • Timing and amount of withdrawals	• Sustainability Fund is being drawn down to offset cash deficits. • As the primary goals are liquidity and capital preservation, is invested in more liquid, less risky financial instruments yielding lower rates of return.
Other Revenue	
• Includes investment management charges to pension plans, insurance company liability for health care costs, provincial traffic fines, climate change and emissions management credits • Mainly based on population growth	• Costs of investment services provided by AIMCo to pension plans and WCB are recovered. • Amount of emission management credits paid by industry depends on corporate decisions regarding emission management options. • Crown's cost of health services, provided to Albertans injured by negligent operation of automobiles, is covered by Alberta automobile insurers.

FISCAL PLAN TABLES

Budget 2011

Building **a better Alberta**

FISCAL PLAN TABLES

Budget 2011

Building **a better Alberta**

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Fiscal Summary [a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Revenue	35,658	33,968	33,982	**35,589**	38,832	42,004
Expense						
Program expense						
Operating expense	31,000	33,293	33,223	**33,943**	34,910	35,934
Capital grants and other support [b]	4,204	4,406	3,863	**3,895**	3,341	3,519
Capital amortization and nominal sum disposals	676	759	749	**808**	892	913
In-year savings	-	(240)	-	**(240)**	(240)	(240)
Disaster/emergency assistance	447	-	502	**-**	-	-
Debt servicing costs	363	498	466	**588**	610	622
Total Expense [c]	36,690	38,716	38,803	**38,994**	39,513	40,748
Surplus / (Deficit)	(1,032)	(4,748)	(4,821)	**(3,405)**	(681)	1,256

[a] For fiscal policy purposes under the *Fiscal Responsibility Act*. Amounts in 2009-10 and 2010-11 have been restated on the 2011-12 basis. Does not include revenue and expense of SUCH sector organizations or Alberta Innovates corporations, or changes in pension liabilities.

[b] Includes capital grants and project planning, accommodation and facility preservation expense.

[c] Capital investment (not included in expense): 2,324 2,802 2,398 2,737 2,076 2,069

Sustainability Fund

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Balance at Start of Year	16,822	14,983	14,983	**11,192**	5,292	2,377
Transfer to offset deficit / deposit to surplus	(1,032)	(4,748)	(4,821)	**(3,405)**	(681)	1,256
Heritage Fund inflation-proofing	-	(291)	(304)	**(339)**	(261)	(295)
Cash adjustments:						
Capital cash adjustments	338	(519)	(253)	**(1,018)**	(1,053)	(959)
Retained income of funds and agencies	(240)	(341)	(357)	**(543)**	(559)	(608)
Other cash adjustments	(178)	(868)	(286)	**(595)**	(361)	(57)
Cash transferred from previous year 4th quarter results	1,503	-	2,230	**-**	-	-
Cash to be transferred from previous year 4th quarter results	(2,230)	-	-	**-**	-	-
Assets at End of Year	14,983	8,216	11,192	**5,292**	2,377	1,714

Balance Sheet – Summary

(millions of dollars)

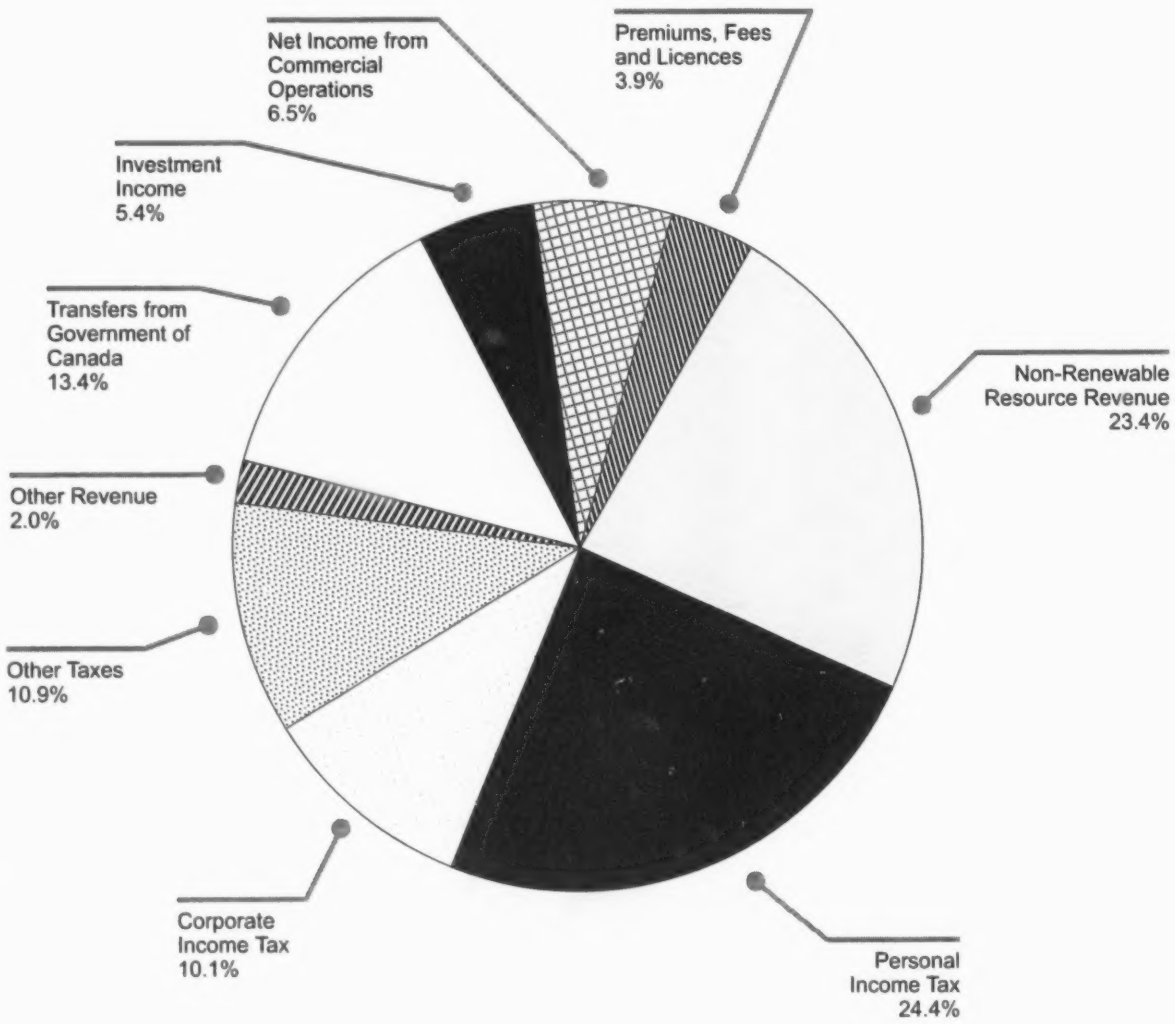
	At March 31				
	2010 Actual	2011 Forecast	2012 Estimate	2013 Target	2014 Target
Financial Assets					
Heritage Fund, endowments and other funds	18,184	18,216	**18,234**	18,250	18,493
Self-supporting lending organizations	10,671	12,399	**13,637**	14,791	15,963
Sustainability Fund	14,983	11,192	**5,292**	2,377	1,714
Other financial assets	10,967	8,837	**9,964**	10,796	11,269
Total Financial Assets	54,805	50,644	**47,127**	46,214	47,439
Liabilities					
Liabilities for capital projects	2,888	4,303	**5,222**	5,361	5,558
Pension liabilities	9,279	9,729	**9,995**	10,220	10,424
Other liabilities	18,900	19,791	**20,639**	21,460	22,388
Total Liabilities	31,067	33,823	**35,856**	37,041	38,370
Net Financial Assets	23,738	16,821	**11,271**	9,173	9,069
Capital assets	17,532	19,178	**21,057**	22,249	23,405
Net Assets	41,270	35,999	**32,328**	31,422	32,474

Revenue
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Income Taxes						
Personal income tax	7,877	8,648	7,472	**8,693**	9,345	10,058
Corporate income tax	4,754	3,113	3,400	**3,608**	3,971	4,312
	12,631	11,761	10,872	**12,301**	13,316	14,370
Other Taxes						
Education property tax	1,532	1,592	1,583	**1,634**	1,666	1,700
Tobacco tax	864	880	890	**910**	925	940
Fuel tax	700	760	715	**795**	810	820
Insurance taxes	281	330	299	**322**	346	373
Freehold mineral rights tax	124	167	133	**142**	143	151
Tourism levy	60	63	61	**63**	66	69
	3,561	3,792	3,681	**3,866**	3,956	4,053
Non-Renewable Resource Revenue						
Bitumen royalty	3,160	3,249	3,567	**4,123**	5,644	7,141
Crude oil royalty	1,848	2,137	1,912	**1,925**	2,022	1,886
Natural gas and by-products royalty	1,525	1,861	1,654	**1,022**	1,198	1,466
Bonuses and sales of Crown leases	1,165	630	2,333	**1,068**	1,195	1,205
Rentals and fees	158	135	161	**141**	136	130
Coal royalty	31	35	35	**42**	39	36
Drilling stimulus initiatives	(1,119)	(732)	(1,660)	**-**	-	-
	6,768	7,315	8,002	**8,321**	10,234	11,864
Transfers from Government of Canada						
Health transfers	2,329	2,072	2,202	**2,302**	2,412	2,542
Canada Social Transfer	1,188	1,224	1,215	**1,260**	1,304	1,351
Agriculture support programs	376	357	295	**287**	342	356
Labour market agreements	239	219	234	**171**	174	176
Other	809	1,218	1,327	**748**	613	547
	4,941	5,090	5,273	**4,768**	4,845	4,972
Investment Income						
Alberta Heritage Savings Trust Fund	2,076	1,050	817	**1,050**	1,082	1,162
Endowment Funds	327	203	157	**198**	189	197
Alberta Capital Finance Authority	150	164	164	**242**	249	253
Sustainability Fund	621	285	500	**225**	125	75
Agriculture Financial Services Corporation	99	103	101	**115**	138	162
Debt Retirement Account	49	38	45	**26**	15	5
Other	91	104	70	**71**	82	92
	3,413	1,947	1,854	**1,927**	1,880	1,946
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,405	1,292	1,372	**1,388**	1,410	1,450
Liquor revenue	716	697	687	**718**	729	740
Alberta Treasury Branches	127	99	162	**180**	237	292
Other	11	9	10	**24**	24	26
	2,259	2,097	2,231	**2,310**	2,400	2,508
Premiums, Fees and Licences						
Motor vehicle licences	358	369	378	**431**	441	453
Crop and hail insurance premiums	222	241	259	**297**	311	329
Energy Resources Conservation Board levies	111	115	115	**125**	125	115
Land titles	56	53	49	**66**	68	69
Land and grazing	67	63	63	**63**	63	66
Supplementary health benefits premiums	42	104	58	**58**	58	58
Other	289	313	314	**353**	379	427
	1,145	1,258	1,236	**1,393**	1,445	1,517
Other						
AIMCo investment management charges	131	120	119	**131**	130	136
Fines and penalties	111	114	114	**117**	118	119
Refunds of expense	171	110	185	**112**	112	112
Climate change and emissions management	60	78	78	**68**	70	71
Miscellaneous	467	286	337	**275**	326	336
	940	708	833	**703**	756	774
Total Revenue	35,658	33,968	33,982	**35,589**	38,832	42,004

2011–12 Revenue

$35.6 billion


Net Income from Commercial Operations 6.5%
Premiums, Fees and Licences 3.9%
Investment Income 5.4%
Transfers from Government of Canada 13.4%
Non-Renewable Resource Revenue 23.4%
Other Revenue 2.0%
Other Taxes 10.9%
Corporate Income Tax 10.1%
Personal Income Tax 24.4%

Expense by Ministry
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Program [a]						
Legislative Assembly	89	94	92	**111**	118	99
Aboriginal Relations	144	153	185	**146**	154	162
Advanced Education and Technology	3,443	3,226	3,329	**3,009**	2,877	2,945
Agriculture and Rural Development	1,375	1,077	1,008	**974**	1,080	1,118
Children and Youth Services	1,139	1,106	1,174	**1,205**	1,206	1,241
Culture and Community Spirit	255	255	260	**225**	214	223
Education	6,111	6,080	5,987	**6,151**	6,169	6,202
Employment and Immigration	1,173	1,100	1,163	**1,102**	1,053	1,019
Energy	388	457	358	**445**	572	781
Environment	282	308	309	**290**	278	246
Executive Council	28	31	31	**29**	29	29
Finance and Enterprise	813	920	902	**956**	972	987
Health and Wellness	12,817	15,030	14,819	**14,947**	15,597	16,217
Housing and Urban Affairs	601	491	501	**367**	378	334
Infrastructure	631	1,170	878	**1,520**	1,264	1,237
International and Intergovernmental Relations	24	24	24	**24**	24	25
Justice	451	479	491	**488**	490	501
Municipal Affairs	604	1,031	1,221	**1,044**	1,061	1,219
Seniors and Community Supports	1,946	1,994	2,065	**2,121**	2,098	2,151
Service Alberta	291	278	292	**300**	302	311
Solicitor General and Public Security	626	645	645	**678**	736	767
Sustainable Resource Development	492	312	467	**313**	313	312
Tourism, Parks and Recreation	201	176	173	**167**	168	168
Transportation	2,337	1,965	1,918	**1,968**	1,924	2,005
Treasury Board	66	56	45	**66**	66	67
In-year savings[b]	-	(240)	-	**(240)**	(240)	(240)
Total Program Expense	36,327	38,218	38,337	**38,406**	38,903	40,126
Debt servicing costs	363	498	466	**588**	610	622
Total Expense	36,690	38,716	38,803	**38,994**	39,513	40,748

[a] Includes operating expense, capital grants and other support, disaster/emergency assistance, amortization of capital assets, consumption of inventories and nominal sum disposals.

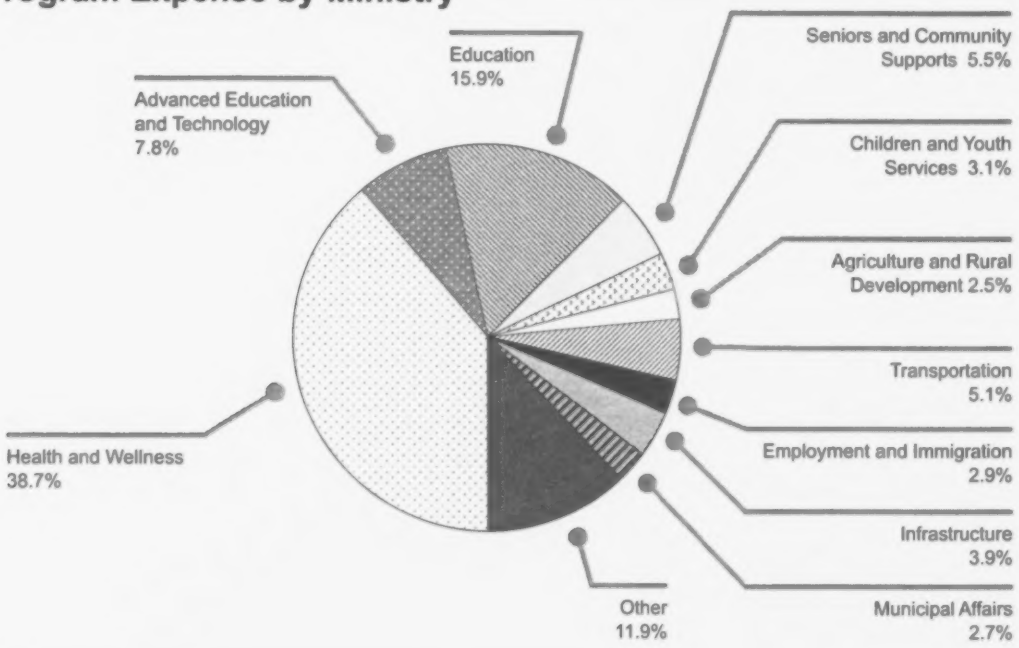
[b] In-year savings have not been allocated to any ministry.

Debt Servicing Costs
(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Agriculture and Rural Development						
Agriculture Financial Services Corporation	51	65	54	**68**	80	94
Education						
Alberta Schools Alternative Procurement P3 financing costs [a]	-	17	17	**22**	26	27
Finance and Enterprise						
Alberta Capital Finance Authority	149	163	163	**228**	228	240
General government	80	121	118	**99**	74	60
Direct borrowing for capital purposes	23	74	56	**103**	116	116
School construction debentures	20	16	16	**12**	9	6
Housing and Urban Affairs						
Alberta Social Housing Corporation	19	17	17	**16**	14	12
Transportation						
Ring road P3 financing costs [a]	21	25	25	**40**	63	67
Total Debt Servicing Costs	363	498	466	**588**	610	622

[a] P3s are public-private partnerships.

2011–12 Program Expense by Ministry



Operating Expense by Ministry[a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Legislative Assembly	87	94	90	110	117	98
Aboriginal Relations	144	153	173	146	154	162
Advanced Education and Technology	2,731	2,644	2,719	2,753	2,759	2,826
Agriculture and Rural Development	1,109	1,027	779	922	1,027	1,064
Children and Youth Services	1,124	1,087	1,163	1,202	1,202	1,237
Culture and Community Spirit	206	174	174	174	173	177
Education	5,381	5,565	5,611	5,862	5,931	6,024
Employment and Immigration	1,170	1,098	1,160	1,099	1,049	1,016
Energy	365	335	337	354	402	458
Environment	183	191	199	177	176	169
Executive Council	28	31	31	29	29	29
Finance and Enterprise	806	909	891	945	957	970
Health and Wellness	12,571	14,854	14,694	14,813	15,468	16,105
Housing and Urban Affairs	235	233	237	243	235	235
Infrastructure	411	399	407	472	488	500
International and Intergovernmental Relations	24	24	24	24	24	25
Justice	443	471	483	479	479	487
Municipal Affairs	228	200	197	203	206	212
Seniors and Community Supports	1,894	1,943	1,974	2,045	2,097	2,149
Service Alberta	258	225	251	250	250	255
Solicitor General and Public Security	623	643	641	673	719	750
Sustainable Resource Development	320	296	294	287	286	292
Tourism, Parks and Recreation	168	157	155	148	149	149
Transportation	425	495	495	487	487	498
Treasury Board	66	45	44	46	46	47
Total Operating Expense	31,000	33,293	33,223	33,943	34,910	35,934

[a] Excludes debt servicing costs, capital grants and other support, disaster/emergency assistance, amortization of capital assets, consumption of inventories and nominal sum disposals.

2011–12 Ministry Expense by Function

(millions of dollars)

	Health	Education	Social Services	Economic Development [a]	Transportation [b]	Protection of Persons and Property	Regional Planning and Development	Environment	Recreation and Culture	Housing	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	-	-	-	-	-	-	-	-	111	-	111
Aboriginal Relations	-	-	-	-	-	-	146	-	-	-	-	-	146
Advanced Education and Technology	-	2,739	-	270	-	-	-	-	-	-	-	-	3,009
Agriculture and Rural Development	-	-	-	974	-	-	-	-	-	-	-	68	1,042
Children and Youth Services	-	-	1,205	-	-	-	-	-	-	-	-	-	1,205
Culture and Community Spirit	-	-	-	21	-	6	-	-	198	-	-	-	225
Education	-	6,151		-	-	-	-	-	-	-	-	22	6,173
Employment and Immigration	35	249	702	59	-	55	-	-	-	-	2	-	1,102
Energy	-	-	-	339	39	-	-	13	-	-	54	-	445
Environment	-	-	-	-	-	-	-	290	-	-	-	-	290
Executive Council	-	-	-	-	-	-	-	-	-	-	29	-	29
Finance and Enterprise	-	3	-	24	-	43	6	-	-	-	880	442	1,398
Health and Wellness	14,947	-	-	-	-	-	-	-	-	-	-	-	14,947
Housing and Urban Affairs	-	-	201	-	-	-	8	-	-	158	-	16	383
Infrastructure	883	3	-	-	4	-	-	30	-	-	600	-	1,520
International and Intergovernmental Relations	-	-	-	16	-	-	-	-	-	-	8	-	24
Justice	-	-	85	-	-	403	-	-	-	-	-	-	488
Municipal Affairs	-	-	-	-	-	23	940	-	34	-	47	-	1,044
Seniors and Community Supports	124	-	1,922	-	-	-	-	-	-	75	-	-	2,121
Service Alberta	-	-	-	-	-	86	-	-	-	-	214	-	300
Solicitor General and Public Security	-	-	28	26	-	615	-	-	9	-	-	-	678
Sustainable Resource Development	-	-	-	186	-	108	-	19	-	-	-	-	313
Tourism, Parks and Recreation	-	-	-	62	-	-	-	-	105	-	-	-	167
Transportation	-	-	-	31	1,890	45	-	2	-	-	-	40	2,008
Treasury Board	-	-	-	-	-	-	3	-	-	-	63	-	66
In-year savings [c]	-	-	-	-	-	-	-	-	-	-	-	-	(240)
Total Expense	**15,989**	**9,145**	**4,143**	**2,008**	**1,933**	**1,384**	**1,103**	**354**	**346**	**233**	**2,008**	**588**	**38,994**

[a] Agriculture, Resource Management and Economic Development.

[b] Transportation, Communications and Utilities.

[c] In-year savings have not been allocated to any functional area.

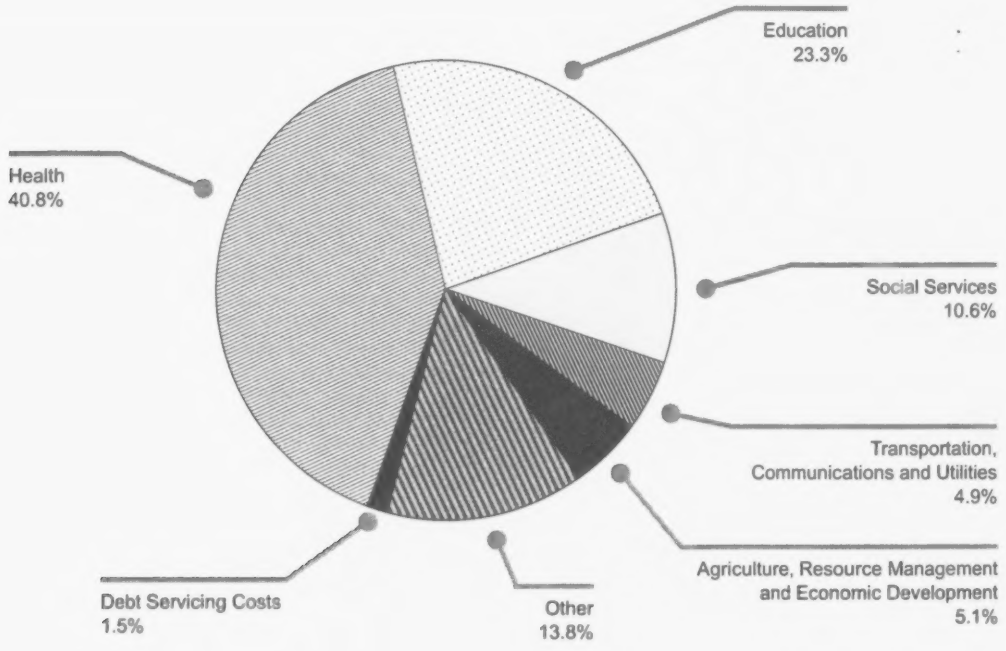
Expense by Function

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Health	13,180	15,813	15,307	**15,989**	16,422	17,009
Education	9,538	9,325	9,330	**9,145**	9,008	9,079
Social Services	3,807	3,901	4,016	**4,143**	4,142	4,175
Agriculture, Resource Management and Economic Development	2,363	2,161	2,009	**2,008**	2,248	2,490
Transportation, Communications and Utilities	2,306	1,920	1,874	**1,933**	1,888	1,984
Protection of Persons and Property	1,457	1,337	1,668	**1,384**	1,447	1,491
Regional Planning and Development	651	1,112	1,148	**1,103**	1,121	1,285
Environment	368	369	376	**354**	343	317
Recreation and Culture	399	368	379	**346**	336	342
Housing	559	340	428	**233**	190	178
General Government	1,699	1,812	1,802	**2,008**	1,998	2,016
Debt Servicing Costs	363	498	466	**588**	610	622
In-year savings [a]	-	(240)	-	**(240)**	(240)	(240)
Total Expense	36,690	38,716	38,803	**38,994**	39,513	40,748

[a] In-year savings have not been allocated to any functional area.

2011–12 Expense by Function



Capital Amortization of Government-owned Capital[a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Legislative Assembly	2	1	2	1	1	1
Advanced Education and Technology	5	6	5	5	5	5
Agriculture and Rural Development	12	14	15	15	15	15
Children and Youth Services	2	4	2	3	5	5
Culture and Community Spirit	2	3	3	3	3	3
Education	2	1	1	1	1	1
Employment and Immigration	3	3	3	3	3	3
Energy	22	21	21	21	21	23
Environment	20	22	22	22	22	22
Finance and Enterprise	7	11	11	11	15	17
Health and Wellness	69	80	54	75	66	66
Housing and Urban Affairs	23	24	24	24	61	49
Infrastructure	77	82	85	100	102	102
Justice	8	8	8	9	11	15
Municipal Affairs	1	2	2	2	2	2
Seniors and Community Supports	1	1	1	1	1	1
Service Alberta	33	52	41	50	52	56
Solicitor General and Public Security	3	3	4	5	18	17
Sustainable Resource Development	11	16	16	16	17	17
Tourism, Parks and Recreation	14	18	18	18	18	18
Transportation	330	386	381	412	442	471
Treasury Board	1	1	1	1	1	1
Total Capital Amortization	648	759	720	798	882	910

[a] Includes consumption of inventories. Capital amortization and inventory consumption are included in expense. Ministries not listed above have no capital amortization or inventory consumption expense or the amount rounds to less than $1 million.

Nominal Sum Disposals[a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Housing and Urban Affairs	7	-	9	-	-	-
Infrastructure	-	-	6	-	-	-
Sustainable Resource Development	10	-	14	10	10	3
Tourism, Parks and Recreation	10	-	-	-	-	-
Transportation	1	-	-	-	-	-
Total Nominal Sum Disposals	28	-	29	10	10	3

[a] Nominal sum disposals occur when assets are sold or disposed of for an amount substantially lower than the fair market value. The fair market value less any proceeds from the disposal of the asset is treated as a grant-in-kind expense.

Disaster / Emergency Assistance

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Agriculture and Rural Development	211	-	168	-	-	-
Municipal Affairs	16	-	191	-	-	-
Health and Wellness	70	-	-	-	-	-
Sustainable Resource Development	150	-	143	-	-	-
Total Disaster / Emergency Assistance	447	-	502	-	-	-

Cash Adjustments[a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Capital Cash Adjustments						
Requirements						
Capital investment	(2,324)	(2,802)	(2,398)	**(2,737)**	(2,076)	(2,069)
Principal repayment / amortization of debt issue costs	(7)	(13)	(11)	**(19)**	(28)	(32)
Total requirements	(2,331)	(2,815)	(2,409)	**(2,756)**	(2,104)	(2,101)
Sources						
Capital amortization	648	759	720	**798**	882	910
Net book value of capital asset disposals	6	2	10	**2**	2	3
Alternatively-financed capital investment	278	355	259	**156**	137	229
Alternatively-financed capital grants	274	80	67	**45**	30	-
Direct borrowing	1,463	1,100	1,100	**737**	-	-
Total sources	2,669	2,296	2,156	**1,738**	1,051	1,142
Total Capital Cash Adjustments	338	(519)	(253)	**(1,018)**	(1,053)	(959)
Retained Income of Funds and Agencies						
Alberta Treasury Branches	(89)	(99)	(162)	**(180)**	(237)	(292)
Agriculture Financial Services Corporation	77	(186)	(186)	**(259)**	(278)	(302)
Alberta Social Housing Corporation	(71)	(33)	(32)	**1**	37	18
Endowment funds						
Alberta Heritage Foundation for Medical Research	(75)	(12)	17	**(10)**	(3)	6
Alberta Heritage Science and Engineering Research	(51)	(18)	(6)	**(7)**	(4)	(6)
Alberta Heritage Scholarship	(48)	(12)	(10)	**(13)**	(9)	(13)
Alberta Capital Finance Authority	-	-	-	**(13)**	(19)	(11)
Alberta Cancer Prevention Legacy Fund	(4)	13	5	**10**	10	10
Other	21	6	17	**(72)**	(56)	(18)
Total Retained Income of Funds and Agencies	(240)	(341)	(357)	**(543)**	(559)	(608)
Other Cash Adjustments						
Energy royalties	(102)	(746)	57	**(428)**	(190)	139
Student loans	(70)	(80)	(92)	**(124)**	(114)	(107)
Other	(6)	(42)	(251)	**(43)**	(57)	(89)
Total Other Cash Adjustments	(178)	(868)	(286)	**(595)**	(361)	(57)

[a] Negative cash adjustments are a cash requirement; positive cash adjustments are a cash source.

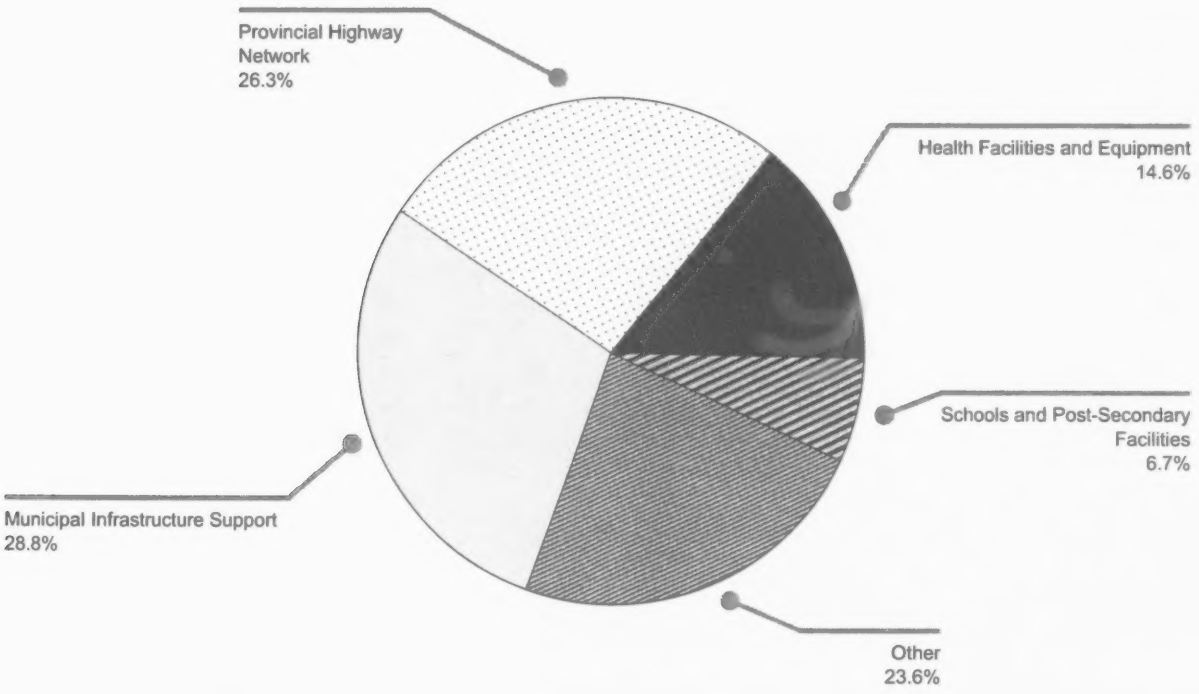
Capital Plan

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target	2011-14 Total	% of Total
Municipal infrastructure support	1,651	1,776	1,737	**1,628**	1,644	1,812	5,084	28.8%
Provincial highway network	1,681	1,866	1,660	**1,665**	1,354	1,619	4,638	26.3%
Health facilities and equipment	298	802	473	**1,022**	814	741	2,577	14.6%
Schools	729	516	391	**289**	238	177	704	4.0%
Post-secondary facilities	707	578	605	**251**	113	114	478	2.7%
Community facilities	88	118	119	**120**	130	130	380	2.2%
Water and wastewater management	344	167	163	**297**	222	232	751	4.3%
Housing	400	352	351	**273**	130	104	507	2.9%
Government facilities, equipment and other	630	1,033	762	**1,087**	772	659	2,518	14.3%
Total Capital Plan	6,528	7,208	6,261	**6,632**	5,417	5,588	17,637	100.0%

2011–14 Capital Plan

$17.6 billion


Provincial Highway Network 26.3%
Health Facilities and Equipment 14.6%
Schools and Post-Secondary Facilities 6.7%
Other 23.6%
Municipal Infrastructure Support 28.8%

Capital Grants and Other Support[a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Aboriginal Relations	-	-	12	-	-	-
Advanced Education and Technology	707	578	605	**251**	113	114
Agriculture and Rural Development	42	36	46	**38**	39	39
Children and Youth Services	13	15	9	-	-	-
Culture and Community Spirit	48	78	83	**48**	38	43
Education	728	513	375	**288**	237	177
Energy	1	100	-	**70**	149	299
Environment	79	94	88	**90**	79	54
Health and Wellness	108	96	71	**59**	63	46
Housing and Urban Affairs	336	234	230	**100**	82	50
Infrastructure	142	689	380	**948**	675	635
Municipal Affairs	359	828	831	**838**	852	1,005
Seniors and Community Supports	51	50	90	**75**	-	-
Tourism, Parks and Recreation	9	1	1	**1**	1	1
Transportation	1,581	1,084	1,042	**1,070**	994	1,037
Treasury Board	-	10	-	**19**	19	19
Total Capital Grants	4,204	4,406	3,863	**3,895**	3,341	3,519

[a] Capital grants and other support are included in expense. Other support includes project planning, accommodation and facility preservation expense. Ministries not listed above have no capital grants or other support or the amount rounds to less than $1 million.

Capital Investment in Government-owned Capital[a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Legislative Assembly	4	3	3	**5**	4	3
Advanced Education and Technology	10	8	8	**5**	5	5
Agriculture and Rural Development	15	14	14	**13**	12	11
Children and Youth Services	2	2	4	**6**	2	2
Culture and Community Spirit	3	3	2	**3**	3	3
Education	5	1	5	**1**	1	1
Employment and Immigration	5	4	5	**4**	4	4
Energy	26	28	28	**31**	17	12
Environment	1	1	1	**1**	1	1
Finance and Enterprise	39	32	28	**23**	18	15
Health and Wellness	70	78	69	**85**	77	77
Housing and Urban Affairs	13	68	32	**98**	48	54
Infrastructure	302	407	372	**391**	274	152
Justice	2	4	2	**3**	2	2
Municipal Affairs	2	1	1	**1**	1	1
Seniors and Community Supports	1	1	1	**1**	1	1
Service Alberta	55	133	33	**50**	62	45
Solicitor General and Public Security	11	25	67	**184**	105	41
Sustainable Resource Development	30	24	30	**16**	16	16
Tourism, Parks and Recreation	23	21	22	**14**	14	18
Transportation	1,705	1,881	1,671	**1,665**	1,357	1,605
Treasury Board	-	63	-	**137**	52	-
Total Capital Investment	2,324	2,802	2,398	**2,737**	2,076	2,069

[a] Includes purchase of inventories. Capital investment and inventory purchases are not included in expense. Ministries not listed above have no capital investment or inventory purchases or the amount rounds to less than $1 million.

Balance Sheet Details

(millions of dollars)

	At March 31				
	2010 Actual	2011 Forecast	2012 Estimate	2013 Target	2014 Target
Financial Assets					
Heritage Fund equity	13,838	14,142	**14,482**	14,742	15,037
Endowment funds					
Alberta Heritage Foundation for Medical Research	1,249	1,232	**1,242**	1,245	1,239
Alberta Heritage Science and Engineering Research	708	714	**721**	725	731
Alberta Heritage Scholarship	692	702	**715**	724	737
Alberta Cancer Prevention Legacy Fund	489	484	**474**	464	454
Alberta Enterprise Corporation	101	99	**97**	95	92
Sustainability Fund	14,983	11,192	**5,292**	2,377	1,714
Debt Retirement Account	1,107	843	**503**	255	203
Self-supporting lending organizations					
Alberta Capital Finance Authority	8,305	9,723	**10,669**	11,299	11,991
Agriculture Financial Services Corporation	2,366	2,676	**2,968**	3,492	3,972
Equity in commercial enterprises	2,478	2,661	**2,855**	3,117	3,452
Student loans	321	413	**537**	652	759
Other cash, marketable securities and accounts receivable	8,168	5,763	**6,572**	7,027	7,058
Total Financial Assets	54,805	50,644	**47,127**	46,214	47,439
Liabilities					
Accumulated debt					
General Revenue Fund	679	477	**196**	-	-
Alberta Social Housing Corporation	253	228	**201**	174	142
School construction loans	160	123	**91**	66	46
Accumulated debt	1,092	828	**488**	240	188
Pension liabilities	9,279	9,729	**9,995**	10,220	10,424
Self-supporting lending organizations					
Alberta Capital Finance Authority	8,305	9,723	**10,669**	11,299	11,991
Agriculture Financial Services Corporation	1,730	1,703	**1,756**	2,003	2,182
Liabilities for capital projects	2,888	4,303	**5,222**	5,361	5,558
Pre-1992 Teachers' Pension Plan loan	1,186	1,186	**1,186**	1,186	1,186
Accounts and interest payable	6,345	6,104	**6,315**	6,497	6,606
Other accrued liabilities, including guarantees, indemnities and remissions	242	247	**225**	235	235
Total Liabilities	31,067	33,823	**35,856**	37,041	38,370
Net Financial Assets	23,738	16,821	**11,271**	9,173	9,069
Capital assets	17,532	19,178	**21,057**	22,249	23,405
Net Assets	41,270	35,999	**32,328**	31,422	32,474
Adjustment for pension liabilities	9,279	9,729	**9,995**	10,220	10,424
Net Assets for Fiscal Policy Purposes[a]	50,549	45,728	**42,323**	41,642	42,898

[a] Under the *Fiscal Responsibility Act*. Excludes assets and liabilities of SUCH sector organizations and Alberta Innovates corporations, and pension liabilities.

Capital Assets

(millions of dollars)

	2009-10 Actual	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Net book value at start of year	15,848	17,532	**19,178**	21,057	22,249
Capital investment	2,324	2,398	**2,737**	2,076	2,069
Capital amortization	(648)	(720)	**(798)**	(882)	(910)
Net book value of capital asset disposals	(6)	(10)	**(2)**	(2)	(3)
Adjustments	14	(22)	**(58)**	-	-
Net Book Value of Capital Assets at End of Year	17,532	19,178	**21,057**	22,249	23,405

Liabilities for Capital Projects

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Opening balance	880	2,903	2,888	**4,303**	5,222	5,361
Alternative financing (P3s - public-private partnerships)	552	435	326	**201**	167	229
Direct borrowing	1,463	1,100	1,100	**737**	-	-
Principal repayment / amortization of debt issue costs	(7)	(13)	(11)	**(19)**	(28)	(32)
Total Liabilities for Capital Projects	2,888	4,425	4,303	**5,222**	5,361	5,558

Accumulated Debt

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Accumulated debt at start of year	1,160	1,092	1,092	**828**	488	240
Repayments from Debt Retirement Account:						
General Revenue Fund term debt maturities	-	(202)	(202)	**(281)**	(196)	-
School construction loan repayments	(44)	(37)	(37)	**(32)**	(25)	(20)
Alberta Social Housing Corporation debt repayment	(24)	(25)	(25)	**(27)**	(27)	(32)
Accumulated debt at end of year	1,092	828	828	**488**	240	188
Less: Debt Retirement Account	(1,107)	(843)	(843)	**(503)**	(255)	(203)
Accumulated Debt less Debt Retirement Account	(15)	(15)	(15)	**(15)**	(15)	(15)

Pension Liabilities

(millions of dollars)

	At March 31					
	2010 Actual	2011 Budget	2011 Forecast	2012 Estimate	2013 Target	2014 Target
Teachers' Pension Plan - post-1992 unfunded liabilities	327	396	358	**414**	444	468
Teachers' Pension Plan - pre-1992 unfunded liabilities	7,387	7,637	7,448	**7,374**	7,285	7,181
Public Service Management (Closed) Pension Plan [a]	650	623	659	**659**	659	659
Local Authorities Pension Plan	314	503	510	**625**	740	855
Universities Academic Pension Plan	293	301	308	**323**	338	353
Management Employees Pension Plan	92	135	106	**166**	226	286
Special Forces Pension Plan	120	124	122	**124**	126	128
Public Service Pension Plan	-	-	120	**210**	300	390
Members of the Legislative Assembly Pension Plan [a]	45	43	47	**49**	51	53
Public Service Supplementary Retirement Plan	40	43	40	**40**	40	40
Provincial Judges and Masters in Chambers Pension Plan	11	18	11	**11**	11	11
Total Pension Liabilities	9,279	9,823	9,729	**9,995**	10,220	10,424

[a] Membership for the plans is closed and pensionable service is no longer being accrued.

General Revenue Fund Term Debt Maturities [a]

(millions of dollars)

	Par Amount (Cdn$ millions)	Coupon Rate (%)	Maturity Date
2010-11 Term Debt Maturities			
1991 Canada Pension Plan debenture	**202**	10.45	March 1, 2011
2011-12 Term Debt Maturities			
1992 Canada Pension Plan debenture	**281**	9.92	March 2, 2012
2012-13 Term Debt Maturities			
1993 Canada Pension Plan debenture	**196**	9.37	March 1, 2013
Total	**679**		

[a] Does not include principal repayment on General Revenue Fund notes on-lent to provincial corporations (Agriculture Financial Services Corporation, Alberta Capital Finance Authority and Alberta Social Housing Corporation), or to Alberta Treasury Branches. There is no more direct General Revenue Fund debt left after March 1, 2013.
Other components of accumulated debt include:
a) Alberta Social Housing Corporation debt of $228 million at March 31, 2011; $173 million of which remains to be repaid from 2013–2030.
b) School construction loans of $123 million at March 31, 2011; $66 million of which remains to be repaid from 2013–2020.
The Debt Retirement Account has assets to repay all these amounts.

2011–12 Financing Requirements [a]

(millions of dollars)

	2009-10 Actual	2010-11 Budget	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
Direct borrowing for capital purposes	1,463	1,100	1,100	**737**	-	-
Pre-1992 Teachers' Pension Plan loan repayment	1,186	-	-	**-**	-	-
Term debt borrowing for provincial corporations:						
Agriculture Financial Services Corporation (AFSC)	139	470	495	**280**	260	250
Alberta Capital Finance Authority (ACFA)	-	-	-	**2,100**	2,010	2,620
Alberta Treasury Branches (ATB)	-	-	-	**800**	1,500	800
Total Financing Requirements	**2,788**	**1,570**	**1,595**	**3,917**	**3,770**	**3,670**

[a] As of April 1, 2011 the government will borrow directly and on-lend to ATB and ACFA, as is currently done with AFSC. The liability and debt servicing costs associated with borrowing for ATB, a commercial operation, will be reported on ATB financial statements. The liability associated with borrowing for ACFA will continue to be reported as a government liability, with offsetting assets.

Loans and Advances [a]

(millions of dollars)

	At March 31	
	2010 Actual	2011 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,289	**1,518**
Student Financial Assistance Act	447	**626**
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	173	**169**
Vencap Acquisition Corporation	3	**3**
Alberta Housing Act	3	**8**
Financial Administration Act		
Accountable advances	11	**14**
	1,926	**2,338**
Allowance for doubtful loans, advances, implemented guarantees and indemnities [a]		
Ridley Grain Ltd.	(44)	**(24)**
Student Loan Relief Completion Payments	(72)	**(139)**
Other	(61)	**(74)**
	(177)	**(237)**
Total Loans and Advances	1,749	**2,101**

[a] When a loan is considered to be impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2010 Actual	2011 Forecast
Guarantees		
Student Financial Assistance Act	2	**2**
Alberta Housing Act	11	**9**
Feeder Associations	49	**41**
Agriculture Financial Services Act	12	**11**
Securities Act	2	**2**
University of Calgary	1	**1**
	77	**66**
Provision for loan defaults under guarantee	(1)	**(1)**
Total Guarantees	76	**65**

2011–12 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue [a]	1,390,468
Aboriginal Relations	
First Nations Development Fund	115,500
First Nations Relations	200
Advanced Education and Technology	
Capital Maintenance and Renewal	65,000
Capital Expansion and Upgrading	40,000
Agriculture and Rural Development	
Major Fairs and Exhibitions	21,840
Agricultural Service Boards	10,600
Agricultural Societies	8,670
Agriculture Initiatives	1,450
Children and Youth Services	
Family and Community Support Services	45,000
Fetal Alcohol Spectrum Disorder Initiatives	12,000
Prevention of Family Violence and Bullying	6,500
Culture and Community Spirit	
Community Facility Enhancement Program	38,000
Assistance to the Alberta Foundation for Arts	26,925
Community Initiatives Program	25,250
Creative and Multimedia Industries	18,300
Community Spirit Donation Grant Program	16,000
Support for Mount Royal Conservatory of Music	10,000
Assistance to the Alberta Historical Resources Foundation	7,875
Assistance to the Human Rights Education and Multiculturalism Fund	1,700
Other Initiatives	4,100
Education	
School Facilities Infrastructure	113,600
Employment and Immigration	
Summer Temporary and Other Employment Programs	7,413
Settlement and Integration	4,574
Environment	
Resource Management	500
Health and Wellness	
AHS Community and Population Health Services	450,000
Municipal Affairs	
Municipal Sustainability Operating Grants	26,000
Solicitor General and Public Security	
Horse Racing and Breeding Renewal Program	26,000
Bingo Associations	7,400
Gaming Research	1,600
Tourism, Parks and Recreation	
Assistance to the Alberta Sport, Recreation, Parks and Wildlife Foundation	23,279
Transportation	
Municipal Water Wastewater Program / Water for Life	134,199
Basic Municipal Transportation Grant	79,194
Provincial Highway Preservation	30,000
Strategic Transportation Infrastructure Program	11,799
Total Lottery Fund Allocation	**1,390,468**

[a] Includes $2 million of interest income.

Premiums, Fees and Licences Changes

	2010-11	2011-12
Culture and Community Spirit		
Registration fee for the Vitalize Conference	$120	$185
Service Alberta		
Motor Vehicles		
Passenger motor vehicle registrations	$61	$75
Veteran plates (application/renewal)	$61	$75
Motorcycles (application/renewal)	$36	$45
Dealer plates	$150	$185
Drivers licences - application/renewal (1 year - 5 years)	$11 - $55	$15 - $75
Identity card - application/renewal (1 year- 5 years)	$6 - $30	$8 - $40
Driver abstract	$11	$15
Motor vehicle searches - Municipalities	$0	$15
Motor vehicle searches	$11	$15
Land titles		
Land title searches (various)	$3	$10
Transfers (flat fee +$1/$5000 property value)	$35	$50
Mortgages (flat fee +$1/$5000 property value)	$15	$50
Caveats	$15	$30
On-line searches	$5	$10
Corporate Registry		
Incorporations	$100	$250
Registrations for extra-provincial corporations	$100	$250
Registrations for exempted extra-provincial non-profits	$75	$190
Amalgamations	$100	$250
Annual returns	$0	$30
Amendments, Article reorganizations/restatements, extra-provincial corporation name changes	$25	$50
Tourism, Parks and Recreation		
Campsite reservation fee	$10	$12
Campsite reservation - first change fee	$3	$5
Campsite reservation - each subsequent change	$3	$5

Full-Time Equivalent Employment

	2010-11 Budget	2011-12 Estimate	Change
Legislative Assembly	542	**542**	-
Aboriginal Relations	98	**102**	4
Advanced Education and Technology	595	**595**	-
Agriculture and Rural Development	1,652	**1,650**	(2)
Children and Youth Services	2,861	**2,861**	-
Culture and Community Spirit	530	**530**	-
Education	703	**703**	-
Employment and Immigration	2,029	**2,029**	-
Energy	1,819	**1,819**	-
Environment	894	**894**	-
Executive Council	176	**176**	-
Finance and Enterprise	1,275	**1,283**	8
Health and Wellness	786	**795**	9
Housing and Urban Affairs	149	**149**	-
Infrastructure	834	**928**	94
International and Intergovernmental Relations	155	**155**	-
Justice	2,989	**2,989**	-
Municipal Affairs	416	**416**	-
Seniors and Community Supports	1,970	**1,966**	(4)
Service Alberta	1,372	**1,372**	-
Solicitor General and Public Security	2,954	**3,070**	116
Sustainable Resource Development	1,892	**1,892**	-
Tourism, Parks and Recreation	641	**671**	30
Transportation	960	**960**	-
Treasury Board	325	**325**	-
Total Full-Time Equivalent Employment	28,617	**28,872**	255

2011–12 Ministry Expense by Object

(millions of dollars)

	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Others	Amortization of Capital Assets[a]	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	54	39	-	-	17	1	-	111	-	111
Aboriginal Relations	12	5	129	-	-	-	-	146	-	146
Advanced Education and Technology	62	56	2,796	2	90	5	(2)	3,009	-	3,009
Agriculture and Rural Development	157	59	177	354	634	15	(354)	1,042	-	1,042
Children and Youth Services	255	503	444	857	-	3	(857)	1,205	-	1,205
Culture and Community Spirit	49	31	142	37	-	3	(37)	225	-	225
Education	66	88	5,996	4	22	1	-	6,177	(4)	6,173
Employment and Immigration	184	133	782	-	-	3	-	1,102	-	1,102
Energy	200	79	145	47	-	21	(47)	445	-	445
Environment	99	48	120	-	1	22	-	290	-	290
Executive Council	21	8	-	-	-	-	-	29	-	29
Finance and Enterprise	144	96	16	1,288	1,131	11	(969)	1,717	(319)	1,398
Health and Wellness	78	134	14,658	-	2	75	-	14,947	-	14,947
Housing and Urban Affairs	16	7	320	85	16	24	(85)	383	-	383
Infrastructure	68	416	936	3	-	100	-	1,523	(3)	1,520
International and Intergovernmental Relations	19	5	-	-	-	-	-	24	-	24
Justice	305	78	74	-	22	9	-	488	-	488
Municipal Affairs	43	22	976	-	1	2	-	1,044	-	1,044
Seniors and Community Supports	147	566	1,406	599	1	1	(599)	2,121	-	2,121
Service Alberta	116	134	-	50	-	50	-	350	(50)	300
Solicitor General and Public Security	242	267	163	1,391	1	5	(1,390)	679	(1)	678
Sustainable Resource Development	165	115	16	18	1	16	(16)	315	(2)	313
Tourism, Parks and Recreation	55	63	30	70	1	18	(70)	167	-	167
Transportation	75	435	1,046	-	40	412	-	2,008	-	2,008
Treasury Board	36	10	19	-	-	1	-	66	-	66
In-year savings[b]										(240)
Total Expense	**2,668**	**3,397**	**30,391**	**4,805**	**1,980**	**798**	**(4,426)**	**39,613**	**(379)**	**38,994**

[a] Includes consumption of inventories.

[b] In-year savings have not been allocated to any expense category. They are included in the Ministry Expense total for the purposes of this presentation.

Major Provincial Tax Rates, 2011

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	5.06	11.00	10.80	5.05	16.00[a]	9.10	8.79	9.80	7.70
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	12.70	21.00	16.70	13.30
Surtax	(%)	-	-	-	-	20/36	-	-	-	10.0	-
Combined federal/provincial top marginal rate[b]	(%)	39.00	43.70	44.00	46.40	46.41	48.22	41.70	50.00	47.37	42.30
Personal amount	($)	16,977	11,088	13,535	8,134	9,104	10,640	8,953	8,231	7,708	7,989
Spousal amount	($)	16,977	9,730	13,535	8,134	7,730	10,640	7,602	6,989	6,546	6,528
Corporate Income Tax											
General rate	(%)	10.0	10.0	12.0	12.0	11.5[c]	11.9	10.0[d]	16.0	16.0	14.0
M&P rate	(%)	10.0	10.0	10.0	12.0	10.0	11.9	10.0	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	2.5	4.5	0.0	4.5	8.0	5.0	4.5	1.0	4.0
- threshold	($000)	500	500	500	400	500	500	500	400	500	500
Capital Tax											
General	(max.%)	-	-	-	-	-	-	-	0.05[e]	-	-
Financial institutions	(max.%)	-	-	3.25	3.0	-	0.25[f]	3.0	4.0	5.0	4.0
Sales Tax	(%)	-	7.0	5.0	7.0	8.0	8.5[g]	8.0	10.0	10.0[g]	8.0
Gasoline Tax	(¢/litre)	9.0	20.1[h, i]	15.0	11.5	14.7[i]	17.2[h, i]	10.7[i]	15.5[i]	15.8[j]	16.5[i]
Tobacco Tax	($/carton)	40.00	37.00[i]	42.00[i]	41.00[i]	24.70[i]	21.20	23.50[i]	43.04[i]	44.90	38.00[i]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26[k]	-	-	-	2.00

Rates for other provinces known as of February 10, 2011.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax because of the province's decision to opt out of federal cash transfers in support of provincial programs.

[b] The top federal personal income tax rate is 29%, except in Quebec where the top federal rate is 24.22% because of the federal abatement.

[c] Ontario's corporate income tax rate will be reduced from 12% to 11.5% on July 1, 2011.

[d] New Brunswick's corporate income tax rate will be reduced from 11% to 10% on July 1, 2011.

[e] Nova Scotia will reduce its Large Corporations Tax from 0.10% to 0.05% on July 1, 2011.

[f] Quebec levies a 0.25% compensation tax on the paid up capital of financial institutions.

[g] These provinces apply their sales tax on the retail price of the goods and services inclusive of the Goods and Services Tax (GST).

[h] An additional 9 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 3 ¢/litre in Montreal. The British Columbia rate includes the carbon tax on gasoline, which is 4.45 ¢/litre until June 30, 2011, after which it will rise to 5.56 ¢/litre. Quebec will increase its fuel tax from 16.2 ¢/litre to 17.2 ¢/litre on April 1, 2011.

[i] These provinces apply their retail sales tax or the provincial portion of their harmonized sales tax on the retail price of the good inclusive of the particular excise tax. In British Columbia, gasoline is subject to the Harmonized Sales Tax (HST), but receives an immediate point of sale rebate for the provincial portion of the tax.

[j] This rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price. The rate is calculated on a monthly basis with the total tax rate capped at 15.8 ¢/litre.

[k] Quebec also levies a compensation tax of up to 3.9% on salaries and wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2009-10 Actual	2010-11 Estimates	2011-12	2012-13	2013-14
Prices					
Crude Oil Price					
WTI (US$/bbl)	70.71	81.45	89.40	95.50	95.75
Alberta Wellhead (Cdn$/bbl)[a]	68.92	72.45	79.43	84.91	84.85
WCS @ Hardisty (Cdn$/bbl)	61.52	64.38	72.02	78.32	80.17
Natural Gas Price					
Alberta Reference Price (Cdn$/GJ)	3.58	3.26	3.45	4.05	5.00
Production					
Conventional crude oil (000s barrels/day)	449	471	484	470	459
Raw bitumen (000s barrels/day)	1,493	1,631	1,850	2,119	2,357
Natural gas (billions of cubic feet)	4,752	4,464	4,055	3,745	3,513
Interest rates					
3-month Canada treasury bills (per cent)	0.22	0.75	1.75	3.00	3.75
10-year Canada bonds (per cent)	3.38	3.15	3.65	4.25	4.75
Exchange Rate (US¢/Cdn$)	91.95	97.96	98.38	98.00	98.00

Calendar Year Assumptions	2010 Actual	2011	2012	2013	2014
Gross Domestic Product					
Nominal (millions of dollars)	271,648[b]	290,839	313,813	334,121	356,074
per cent change	9.9[b]	7.1	7.9	6.5	6.6
Real (millions of 2002 dollars)	184,417[b]	190,462	196,594	203,015	209,346
per cent change	3.5[b]	3.3	3.2	3.3	3.1
Other Indicators					
Employment (thousands)	2,017	2,058	2,100	2,137	2,174
per cent change	-0.4	2.0	2.0	1.8	1.7
Unemployment rate (per cent)	6.5	5.5	5.0	4.8	4.5
Average Weekly Earnings (per cent change)	4.4[b]	4.2	4.1	4.0	3.8
Personal Income (per cent change)	3.9[b]	5.9	6.3	6.6	6.4
Corporate Profits (per cent change)	42.8[b]	10.0	16.6	7.2	8.5
Housing starts (number of units)	27,088	26,200	28,400	29,000	29,400
Alberta Consumer Price Index (per cent change)	1.0	1.9	2.3	2.2	2.2
Population (thousands)	3,721	3,778	3,840	3,904	3,970
per cent change	1.4	1.5	1.6	1.7	1.7

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.

[b] Alberta Finance and Enterprise estimate.

Sensitivities to Fiscal Year Assumptions, 2011–12[a]

(millions of dollars)

	Change	Net Impact (2011-12)
Oil Price (WTI US$/bbl)	-$1.00	-141
Natural Gas Price (Cdn$/GJ)	-10 Cents	-51
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-154
Interest Rates	+1%	-212
Personal Income	-1%	-115

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12-month period. Sensitivities can vary significantly at different price and rate levels.

The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1994–95 to 2013–14[a]

(millions of dollars)

		1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 Actual	2010-11 Forecast	2011-12 Estimate	2012-13 Target	2013-14 Target
	INCOME STATEMENT																				
	Revenue																				
1	Personal income tax[b]	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677	7,622	8,271	8,708	7,877	7,472	8,693	9,345	10,058
2	Corporate income tax	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917	3,606	4,695	4,252	4,754	3,400	3,608	3,971	4,312
3	Education property tax	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283	1,330	1,393	1,466	1,532	1,583	1,634	1,666	1,700
4	Other tax revenue	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990	2,138	2,180	2,175	2,029	2,098	2,232	2,290	2,353
5	Natural resource revenue	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347	12,260	11,024	11,915	6,768	8,002	8,321	10,234	11,864
6	Investment income	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,809	2,348	3,013	2,414	(1,917)	3,413	1,854	1,927	1,880	1,946
7	Other own-source revenue	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,378	4,588	4,971	5,144	5,027	4,344	4,300	4,406	4,601	4,799
8	Total own-source revenue	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150	34,940	35,121	31,626	30,717	28,709	30,821	33,987	37,032
9	Federal transfers	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392	3,077	3,048	4,185	4,941	5,273	4,768	4,845	4,972
10	**Total revenue**	**16,164**	**15,515**	**16,652**	**17,754**	**16,819**	**20,103**	**25,527**	**21,926**	**22,662**	**25,887**	**29,328**	**35,542**	**38,017**	**38,169**	**35,811**	**35,658**	**33,982**	**35,589**	**38,832**	**42,004**
	Expense by Function[c]																				
11	Health	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,880	12,281	13,107	13,180	15,307	15,989	16,422	17,009
12	Basic and Advanced Education	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,900	7,817	8,884	9,411	9,538	9,330	9,145	9,008	9,079
13	Social Services	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,707	2,879	3,117	3,418	3,807	4,016	4,143	4,142	4,175
14	Other program expense	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,427	7,716	8,936	10,519	9,802	9,684	9,129	9,331	9,863
15	Total program expense	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,292	33,218	36,455	36,327	38,337	38,406	38,903	40,126
16	Debt servicing costs[d]	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	215	214	208	363	466	588	610	622
17	**Total expense**	**15,226**	**14,364**	**14,163**	**15,095**	**15,725**	**17,312**	**18,956**	**20,845**	**20,529**	**21,751**	**24,153**	**26,991**	**29,507**	**33,432**	**36,663**	**36,690**	**38,803**	**38,994**	**39,513**	**40,748**
18	**Surplus (Deficit)**	**938**	**1,151**	**2,489**	**2,659**	**1,094**	**2,791**	**6,571**	**1,081**	**2,133**	**4,136**	**5,175**	**8,551**	**8,510**	**4,737**	**(852)**	**(1,032)**	**(4,821)**	**(3,405)**	**(681)**	**1,256**
19	**CAPITAL PLAN**[e]	891	939	821	1,310	1,256	1,878	2,091	2,860	997	1,659	2,842	3,743	4,769	6,971	7,593	6,528	6,261	6,632	5,417	5,588
	BALANCE SHEET																				
20	Net financial assets (debt)[f]	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,398	28,318	36,047	39,410	36,954	33,017	26,550	21,266	19,393	19,493
21	Capital assets[g]	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552	12,429	14,140	15,848	17,532	19,178	21,057	22,249	23,405
22	Net Assets (Debt)[f]	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,319	39,870	48,476	53,550	52,802	50,549	45,728	42,323	41,642	42,898
23	Pension liabilities	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435	5,593	7,883	10,081	9,279	9,729	9,995	10,220	10,424
24	Accumulated debt[h]	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730										
25	Sustainability Fund assets[i]										2,500	3,498	4,083	7,653	7,653	9,848	14,983	11,192	5,292	2,377	1,714
26	Capital Account assets[i]									910	1,180	674	4,243	6,091	7,472	6,974					

[a] Numbers have been restated on 2011-12 basis where possible. Beginning in 2007-08, external investment management fees are no longer netted against revenue, increasing both revenue and expense by the same amount.

[b] The costs of the Alberta energy tax refund ($345 million in 2000-01, $320 million in 2001-02) and the 2005 Resource Rebates ($1.3 billion in 2005-06) were netted against personal income tax.

[c] Excludes change in pension liabilities. Beginning in 1996-97, valuation adjustments are allocated by function rather than included in other program expense.

[d] Beginning in 2011-12, Alberta Capital Finance Authority debt charges are included in debt servicing costs rather than in program expense. Numbers for 2009-10 and 2010-11 have been restated.

[e] Reflects capital grants and other capital support included in expense, and capital investment in government-owned assets not included in expense. Capital investment adds to capital assets which are depreciated over time through amortization expense.

[f] Excludes assets and liabilities of SUCH sector organizations and Alberta Innovates corporations, and pension liabilities. Net debt was increased in 1995-96 by $32 million to report some "other revenue" on the accrual basis.

[g] Capital assets in 1994-95 exclude the disposal of $449 million in capital assets (primarily the transfer of secondary highways to municipalities) and in 2000-01 and 2001-02 include transfers of $587 million and $1.8 billion respectively of secondary highways from municipalities to the Province.

[h] Net of cash set aside for debt repayment. In 2001-02, the amount of $5,261 million includes commitment of $414 million to debt retirement from higher-than-expected year-end surplus, which was transferred in 2002-03 from other assets.

[i] The Capital Account was consolidated with the Sustainability Fund in 2009-10.

CAPITAL PLAN 2011–14

Budget 2011

Building **a better Alberta**

CAPITAL PLAN 2011–14

Budget 2011

Building **a better Alberta**

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CAPITAL PLAN 2011–14

HIGHLIGHTS

- The development of infrastructure remains a priority; the province will invest $17.6 billion over the next three years to provide facilities to meet the current and future needs of Albertans and to support economic growth.
- Stable construction costs and the reprofiling of some program funding to future years will allow the successful delivery of all approved projects – no projects have been cancelled.
- Some major projects that are new to the Capital Plan are: Phase One of a cancer infrastructure plan for Edmonton and Calgary, renewal of up to 8,180 social housing units, a public safety and law enforcement training centre in Fort Macleod, the Grande Prairie Regional Hospital and the Final Mile Rural Broadband Initiative.
- Alberta's capital spending is 50% higher than the per capita average of other provinces.
- Many large capital projects will be completed and become operational over the next few years.
- External capital financing will be used to deliver some projects in a fiscally responsible manner.

The Government of Alberta will continue to invest in public infrastructure as part of the plan for strong future economic growth and is planning on spending $17.6 billion on capital projects over the next three years. Guided by the 20-Year Strategic Capital Plan, this investment will support the infrastructure needed to deliver the core public services that are important to Albertans. This includes health facilities, schools, water systems, highways and roads, post-secondary institutions and assistance toward the development of municipal infrastructure.

The 2011-14 Capital Plan represents a $17.6 billion investment in infrastructure over the next three years.

Capital Plan Details By Category
(millions of dollars)

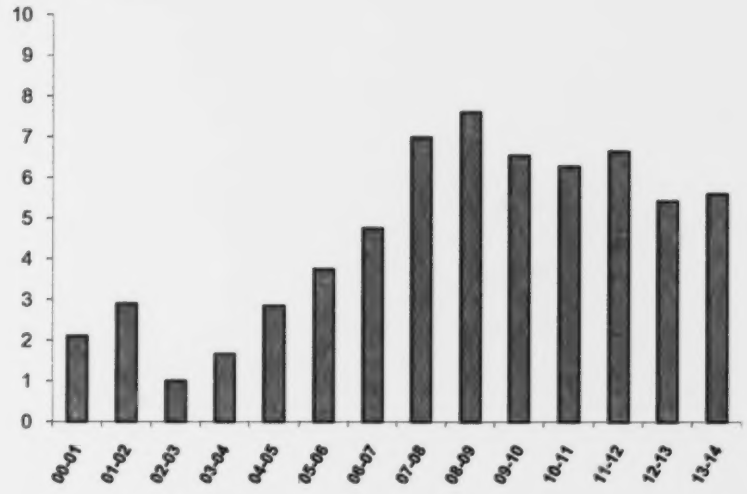
	2011-12 Estimate	2012-13 Target	2013-14 Target	3-year Total
Municipal infrastructure support	1,628	1,644	1,812	5,084
Provincial highway network	1,665	1,354	1,619	4,638
Health facilities and equipment	1,022	814	741	2,577
Schools	289	238	177	704
Post-secondary facilities	251	113	114	478
Community facilities	120	130	130	380
Water/wastewater management	297	222	232	751
Housing	273	130	104	507
Government facilities/other capital	1,087	772	659	2,518
Total Capital Plan	**6,632**	**5,417**	**5,588**	**17,637**

Spending on capital is a key strategy to support jobs and prepare for economic growth.

Although provincial revenue has been negatively impacted by external economic factors, investing in infrastructure remains a critical strategy to position Alberta for future growth. Building infrastructure helps keep Albertans working and takes advantage of stable construction prices to get good value from the marketplace ahead of a strengthening economy. Some program funding was reprofiled to future years, but no projects were cancelled.

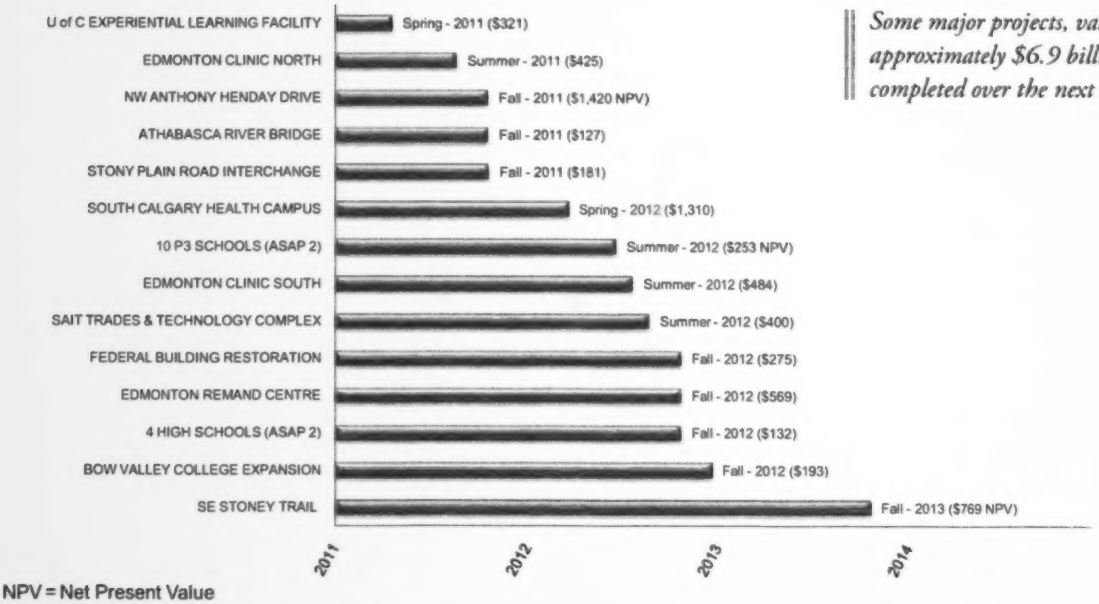
Alberta will continue to approach its capital spending in a disciplined manner. The amounts spent over the past few years were necessary to meet exceptional demand brought on by strong economic and population growth. Over the long term, a more sustainable level of spending is $6 billion per year, which is consistent with the amount identified in the 20-Year Strategic Capital Plan.

Capital Spending Since 2000
(billions of dollars)



Alberta remains a leader in Canada regarding its commitment to providing quality public infrastructure. Alberta is forecast to spend approximately 50% more per capita than the average of other provinces (see table on page 21 of the Fiscal Plan 2011–14 section). Spending on capital in 2011-12 is slightly higher than the previous two years due to projects carrying over from 2010-11, but trends downward in future years. This is largely due to the fact that many previously approved capital projects are now nearing completion. From hospitals to roads, some of the major projects that will be completed soon are presented in the chart on the following page. Albertans will soon experience the benefits of the new infrastructure that is coming into operation.

Expected Project Completion Dates and Capital Cost
(millions of dollars)



Some major projects, valued at approximately $6.9 billion, will be completed over the next three years.

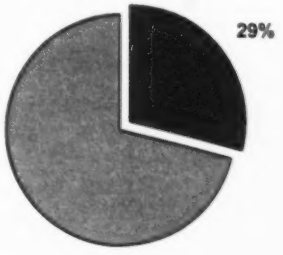
NPV = Net Present Value

The Plan is broken down into nine priority areas, each representing a distinct infrastructure sector supported by the province. All projects and programs are classified into one of these categories for planning and reporting purposes. The following is a brief summary of each category for *Budget 2011*.

MUNICIPAL INFRASTRUCTURE SUPPORT

Municipal infrastructure support represents assistance provided to develop public infrastructure at the municipal level, which is central to the core services contributing to a high quality of life for Albertans. Government is committed to providing Alberta municipalities with long-term, sustainable funding. The cornerstone program is the Municipal Sustainability Initiative (MSI). Municipalities receive support both directly and indirectly through many other government programs, including grants for water infrastructure, and overall funding has remained consistent over the years.

Municipal Infrastructure Support *represents 29%, or $5.1 billion of the 2011-14 Capital Plan.*



MAJOR 2010-11 ACCOMPLISHMENTS

Over $1.7 billion is forecast for 2010-11, including the following accomplishments:

- Through the MSI, $829 million in capital grants were given to municipalities to allocate to priority infrastructure projects. Some examples include:
  - Rehabilitation of Wetaskiwin's Main Street, including replacement of road and underground infrastructure, upgraded street lighting and new traffic signals;

- Development of a servicing and transportation master plan for the Town of Carstairs;
- Construction of a new police station in southwest Edmonton;
- Upgrades to the main avenue in the Village of Delburne, including new water mains and wastewater lines and the replacement of pavement and sidewalks;
- Extension and widening of a portion of Métis Trail in Calgary, and
- Construction of an emergency services station in Strathcona County.

- Through various grant programs administered by the Ministry of Transportation, municipalities will receive over $900 million for capital projects.

THE NEXT THREE YEARS

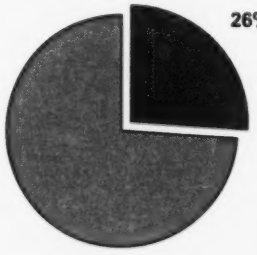
Will deliver $2.7 billion in grants to municipalities through the Municipal Sustainability Initiative.

For 2011-14, $5.1 billion will be provided to municipalities, including:

- $2.7 billion for capital grants under MSI to address core municipal infrastructure needs such as roads, bridges and public transit as determined by recipient communities;
- $1.8 billion for municipal transportation grants under several application-based programs that are contingent upon factors such as population, kilometres of open road and terrain;
- $440 million for GreenTRIP which supports public transit, and
- $134 million for projects supported by Canada's *Economic Action Plan.*

PROVINCIAL HIGHWAY NETWORK

Provincial Highway Network *represents 26%, or $4.6 billion of the 2011-14 Capital Plan.*



The highway network consists of all provincially-owned roadways including primary and secondary highways, resource roads, and bridges. The safe and efficient movement of people and goods is essential to daily life in Alberta and a globally-competitive economy.

MAJOR 2010-11 ACCOMPLISHMENTS

Close to $1.7 billion is forecast to be spent in 2010-11, including the following accomplishments:

- Paved or re-paved approximately 1,400 kilometres of highway;
- Began construction to twin 17 kilometres of Highway 43 west of Valleyview;
- Continued work to upgrade the interchange at Highways 2 and 11A near Red Deer;
- Widened 12 kilometres of Highway 40 near Grande Cache;
- Continued work to twin 17 kilometres of Highway 63 just north of Wandering River, and
- Twinned 13 kilometres of Highway 43 between Beaverlodge and Wembley.

THE NEXT THREE YEARS

For 2011-14, $4.6 billion will be invested in Alberta's highway network. This support will include:

- Completing the northwest segment of the Edmonton Anthony Henday ring road in fall 2011;
- Completing interchanges along southwest Anthony Henday Drive at Stony Plain Road, Lessard Road, Rabbit Hill Road, Cameron Heights Drive and Callingwood Road in fall 2011;
- Completing the southeast segment of the Calgary Stoney Trail ring road in fall 2013;
- Completing interchanges on Highway 63 within Fort McMurray at Thickwood Boulevard and Confederation Way in fall 2012;
- Building a new bridge on Highway 22 over the North Saskatchewan River in Drayton Valley;
- Completing a new five-lane bridge over the Athabasca River in Fort McMurray in fall 2011, and
- Performing ongoing paving and rehabilitation work on highways throughout the province.

Five interchanges along southwest Anthony Henday Drive will be opened in fall 2011.

HEALTH FACILITIES AND EQUIPMENT

Health facilities include hospitals, health clinics, long-term care centres, and addiction and mental health facilities. The Government of Alberta is now responsible for delivering health facilities which are owned and managed by Alberta Health Services. Alberta Health Services will continue to be responsible for needs analysis, acquiring medical equipment and the maintenance of infrastructure, with Government departments providing general oversight. This Capital Plan supports *Becoming the Best: Alberta's 5-Year Health Action Plan*, which focuses on improving access, reducing wait times and enhancing options for continuing care.

Health Facilities and Equipment *represent 15%, or $2.6 billion of the 2011-14 Capital Plan.*

MAJOR 2010-11 ACCOMPLISHMENTS

In addition to using capital cash reserves that were provided previously, $474 million is forecast to be spent in 2010-11 including the following accomplishments:

- In Calgary, opened the McCaig Tower at the Foothills Medical Centre, the South Addition to the Rockyview General Hospital and the East Calgary Community Health Centre;
- Opened the Jack Ady Cancer Centre at the Chinook Regional Hospital in Lethbridge;
- Completed the new Villa Caritas geriatric psychiatry facility in Edmonton;
- Finished construction of the Michener Hills Village Community of Care in Red Deer, which has both long-term care and supportive living beds;
- Opened the new Cochrane Community Health Centre;

- The start up of the new Renal Dialysis Bus which will serve the new Fort Saskatchewan hospital and Lac La Biche area, and
- Opened the new long-term care Garrison Green Care Centre in Calgary.

THE NEXT THREE YEARS

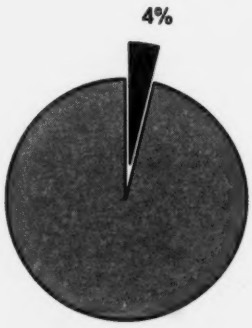
Over 2011-14, $2.6 billion has been budgeted for health facilities and equipment. This support will include:

- Redevelopment and expansion of the Tom Baker Cancer Centre and the Richmond Road Diagnostic and Treatment Centre in Calgary, and the Cross Cancer Institute in Edmonton, as part of a cancer infrastructure plan for the two major centres;
- Construction of the Northern Alberta Urology Centre, including a Men's Prostate Clinic, as part of the new Edmonton Clinic South;
- Completion of the South Calgary Health Campus, a new state-of-the-art acute care hospital;
- Significant progress on constructing a new regional hospital in Grande Prairie, including a cancer centre, and the redevelopment of the Medicine Hat Regional Hospital;
- Replacement of the Fort Saskatchewan Community Hospital in the spring of 2012;
- New health centres in Fort McMurray, High Prairie and Edson, to be completed in 2013 and 2014;
- A new Central Alberta Cancer Centre in Red Deer with radiation therapy vaults, to be finished in 2013;
- Support for the creation of at least 1,000 new continuing care spaces in Alberta annually, to reach approximately 5,300 by March 2015;
- Provision of 100 detoxification and concurrent addiction and mental health treatment beds in high-need areas across the province, and
- Completion of Phase One of the Strathcona Hospital in Sherwood Park, and initiation of the Phase Two development.

New health centres in Fort McMurray, High Prairie and Edson, will be completed in 2013 and 2014.

SCHOOLS

Schools *represent 4%, or $704 million of the 2011-14 Capital Plan.*



The schools category includes building new facilities, providing modular classrooms and expanding and maintaining existing facilities as required to ensure that students are educated in safe, well-maintained schools.

MAJOR 2010-11 ACCOMPLISHMENTS

$390 million is forecast for 2010-11, including the following accomplishments:

- Opened 22 new schools, including 18 under the Alberta Schools Alternative Procurement Phase 1 contract, to create approximately 14,000 new student spaces, and
- Replaced five schools, modernized 27 facilities and completed two major expansion projects across the province.

THE NEXT THREE YEARS

The 2011-14 Capital Plan for school infrastructure includes $704 million to:

- Complete the construction of 17 new schools, including 14 under the Alberta Schools Alternative Procurement Phase 2, and replace three others to accommodate 15,000 new student spaces;
- Continue 14 major modernization and expansion projects in various stages of completion, and
- Continue to perform capital maintenance and renewal projects throughout the province including roof repairs, health and safety upgrades, mechanical system replacements, and energy efficiency improvements.

17 new schools and three replacements will open, making space for 15,000 students.

POST-SECONDARY FACILITIES

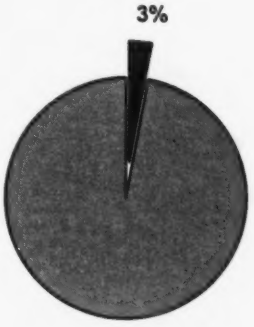
Colleges, universities and other post-secondary learning facilities help strengthen the workforce and expand the province's research and technology sector. The Capital Plan includes funding to construct, upgrade and maintain these facilities.

MAJOR 2010-11 ACCOMPLISHMENTS

$605 million is forecast for 2010-11, including the following accomplishments:

- Completed the Centennial Centre for Interdisciplinary Science at the University of Alberta, accommodating 1,470 undergraduate students and 480 graduate students;
- Finished the Taylor Family Digital Library and Phase One of the Schulich School of Engineering at the University of Calgary;
- Renovated and expanded Bow Valley College's North Building, Grant MacEwan University's Sciences Centre, and NAIT's South Campus, and
- Opened the Banff Centre's new Kinnear Centre and restored Smith Hall (now renamed the Donald Cameron Centre).

Post-Secondary Facilities
represent 3%, or $478 million of the 2011-14 Capital Plan.



THE NEXT THREE YEARS

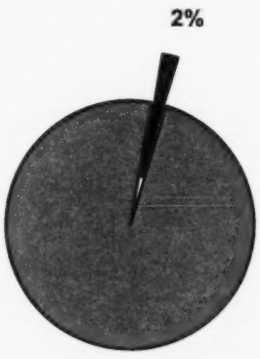
The 2011-14 Capital Plan has allocated $478 million to invest in post-secondary facilities, including:

- Completion of the University of Alberta's Edmonton Clinic North for health care programs, and agricultural research facilities in Kinsella and St. Albert;
- Completion of SAIT's Trades and Technology Complex, with a student capacity of 3,600 for energy, manufacturing and construction programs;
- Phase Two expansion of the Bow Valley College, including a new seven storey building for 3,500 students;
- Completion of the Energy, Environment, and Experiential Learning Building at the University of Calgary, which will have space for 1,000 students, and
- $334 million for capital maintenance and renewal to maintain existing post-secondary institutions across the province.

COMMUNITY FACILITIES

Museums, historic sites, provincial parks, indoor and outdoor recreation centres and buildings used by not-for-profit groups and foundations for various purposes are examples of community facilities. This plan supports these types of facilities and those that help promote Alberta to the world.

Community Facilities *represent 2% or $380 million of the 2011-14 Capital Plan.*



MAJOR 2010-11 ACCOMPLISHMENTS

$119 million is forecast for 2010-11, including the following accomplishments:

- Upgraded provincial park infrastructure to modernize campgrounds, trails and group day-use sites, including renovations to William Watson Lodge and parking upgrades at the Canmore Visitor Centre, and
- The Community Facility Enhancement Program provided approximately $38 million in matching grants to help expand or upgrade community-use facilities. Some examples include:
  - Renovations to the Mustard Seed building in Edmonton;
  - Upgrades to the Southern Alberta Deaf Centre in Calgary;
  - Building a new facility for the Peace Area Riding for the Disabled Society in Grande Prairie, and
  - Upgrades at the Vulcan and District Historical Society Archives and Museum.

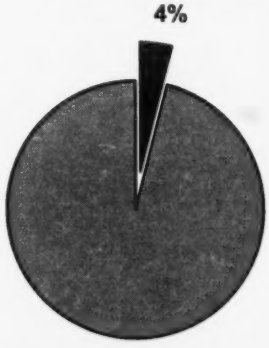
THE NEXT THREE YEARS

Three-year support totaling $380 million for community facilities across the province includes:

- $38 million annually for the Community Facility Enhancement Program, which supports the expansion and upgrading of Alberta's extensive network of community-use facilities;
- Redevelopment of the Royal Alberta Museum in Edmonton, and
- Expansion of the Mount Royal Conservatory of Music in Calgary.

WATER AND WASTEWATER MANAGEMENT

Water and Wastewater Management *represents 4%, or $751 million of the 2011-14 Capital Plan.*



Water and wastewater management projects support the infrastructure necessary to deliver water and wastewater services including water and sewer treatment facilities, dams, canals, water monitoring and irrigation systems. This includes investing in provincially-owned assets and grants to local authorities.

MAJOR 2010-11 ACCOMPLISHMENTS

$163 million is forecast for 2010-11, including the following accomplishments:

- Provided $93 million in grants under the Alberta Municipal Water/ Wastewater Program and the *Water for Life* strategy to construct high-priority municipal and regional pipelines;
- Allocated $24 million in grants to support the rehabilitation of irrigation systems, and
- Continued work on the water supply and sewer infrastructure that serves the Parsons Creek development in Fort McMurray.

THE NEXT THREE YEARS

Over 2011-14, an investment of $751 million for water infrastructure will be made in the following areas:

- Regional water and wastewater treatment projects throughout the province, supporting the *Water for Life* strategy;
- Grants to municipalities under the Alberta Municipal Water/Wastewater Program;
- Complete rehabilitation of the Carseland-Bow River Headworks System;
- Complete construction of the Calgary Bow River Weir Project, and
- Continue to provide irrigation rehabilitation grants to support the agriculture industry.

Construction of the Calgary Bow River Weir Project will be completed.

HOUSING

Housing capital programs are intended to increase the supply of affordable and barrier-free housing to address demand, provide permanent housing with supports to help reduce homelessness, and provide accommodation options to low and moderate income seniors and persons with disabilities.

MAJOR 2010-11 ACCOMPLISHMENTS

$351 million is forecast for 2010-11, including the following accomplishments:

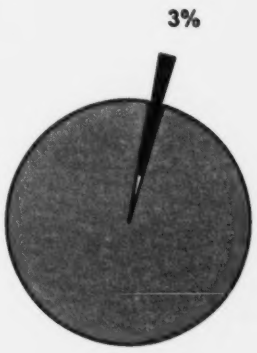
- Supported over 1,900 affordable housing units through applications to the Housing Capital Initiatives program, with 814 of them targeted to special needs applicants, 574 to families, and 548 to seniors, and
- Committed funding to 12 projects across 10 communities for seniors through the Affordable Supportive Living Initiative, which will create over 900 new continuing care spaces. This funding is being leveraged with private and not-for-profit investment, and facilities will begin opening in 2012.

THE NEXT THREE YEARS

This Capital Plan includes $507 million over three years for housing programs, and includes:

- Continued funding to deliver on the *Budget 2007* goal of 11,000 affordable housing units by 2012, with over 10,000 already supported, and 8,000 units by 2019 for the homeless as part of *A Plan for Alberta – Ending Homelessness in 10-years*;
- The renovation and renewal of up to 8,180 provincially-owned social housing units over five years;
- Provision of more seniors housing through the Affordable Supportive Living Initiative, and
- Development of Phase 1A of Parsons Creek in Fort McMurray to support a population of approximately 3,000.

Housing *represents 3%, or $507 million of the 2011-14 Capital Plan.*



GOVERNMENT FACILITIES, EQUIPMENT AND OTHER CAPITAL

This spending envelope covers a broad range of activities from building government-owned facilities to purchasing information technology for government departments and agencies, and investments in climate change initiatives.

Government Facilities, Equipment and Other Capital *represents 14%, or $2.5 billion of the 2011-14 Capital Plan.*

MAJOR 2010-11 ACCOMPLISHMENTS

$762 million is forecast for 2010-11, including the following accomplishments:

- Invested $31 million over the last three years to complete an initiative for modular buildings in support of Alberta's Creating Child Care Choices plan;
- Upgrades largely completed on airtanker aircraft for the 2011 fire season;
- Substantial completion of a new research greenhouse at the Brooks Crop Diversification Centre South, and
- Completed stages of several network and desktop integration projects to establish a shared technology environment across government.

THE NEXT THREE YEARS

The 2011-14 Capital Plan commits $2.5 billion to this envelope and includes funding for:

- Construction of a public safety and law enforcement training centre in Fort Macleod, which will enhance training capacity for provincial and municipal law enforcement agencies;
- The provision of secure high-speed internet and communication services to those without and under-served Albertans across the province through the Final Mile Rural Broadband Initiative;
- Completion of the new Edmonton Remand Centre in fall 2012;
- An Alberta First Responder Radio Communication System that will allow all emergency responders from different agencies and jurisdictions to communicate effectively with each other, and
- Restoration and renovation of the Federal Building on the Legislature Grounds, as well as the creation of the Centennial Plaza public park and a new parkade.

The First Responder Radio Communication System will allow effective communication between different agencies and jurisdictions.

CLIMATE CHANGE INITIATIVES

Guided by its *Climate Change Strategy*, Alberta remains committed to reducing greenhouse gas emissions and supporting environmentally sustainable ways to develop and use energy. The 2011-14 Capital Plan includes nearly $1.2 billion to fund innovative technologies that promote clean energy.

Carbon Capture and Storage
($518 million over next three years; $2 billion total)

Four projects have been selected under the Carbon Capture and Storage initiative aimed at capturing and storing five million tonnes of carbon dioxide (CO_2) per year by 2015. They include:

- The $745 million Quest Project, which will capture CO_2 from the Scotford oil sands upgrader and store it approximately two kilometres beneath the surface in a saline aquifer;
- The $495 million Alberta Carbon Trunk Line project, which will capture CO_2 from a new oil sands upgrader and an existing fertilizer plant near Fort Saskatchewan and transport it through a new 240 kilometre pipeline used for enhanced oil recovery near Clive;
- The $431 million Project Pioneer, to retrofit the Keephills 3 coal-fired electricity plant in Wabamun to capture CO_2 for direct storage or for use in enhanced oil recovery, and
- The $285 million Swan Hills Synfuels project, which will adapt the existing in-situ coal gasification process to convert unmineable coal seams into a clean synthetic gas known as syngas. The resulting CO_2 will be captured and used in enhanced oil recovery.

Four major projects have been selected under the $2 billion Carbon Capture and Storage initiative.

Green Transit Incentives Program
($440 million over next three years; $2 billion total)

The Green Transit Incentives Program (GreenTRIP) funds initiatives that support new and expanded public transit to help reduce the number of vehicles on Alberta roads. At the request of a number of municipalities for additional time to prepare applications to GreenTRIP, the province extended the deadline for the first round of submissions from November 30, 2010 to January 31, 2011. It is expected that successful projects from the first call will be announced in spring 2011.

Successful projects under the first call of GreenTRIP will be announced in spring 2011.

Climate Change and Emissions Management Fund
($157 million over next three years)

The program supports transformative technologies that reduce greenhouse gas emissions. Project categories are renewable energy, energy efficiency, greening fossil fuels, and carbon capture and storage. In June 2010, the Climate Change and Emissions Management Corporation announced $71 million in support for 16 clean energy projects. An additional 17 project submissions were requested, with approvals expected to be made in early 2011. Another expression of interest, focusing on renewable and alternative energy, will be initiated soon with the intent of selecting projects by May 2011.

Canada ecoTrust for Clean Air and Climate Change
($64 million over next two years)

Some of the major projects selected under the Canada ecoTrust program to help advance clean energy use and production are:

- The Carbon Management Canada program, a nation-wide research network which brings together more than 100 experts to advance clean energy development in Canada;
- The City of Edmonton's $7.45 million renewable energy project, that will transfer residual energy from a biofuels facility to heat a neighborhood in Strathcona County, and
- The Slurry Pipeline Project, for which Enbridge was awarded $1 million, that will explore ways to compress captured CO_2 into a liquid and store it underground.

FEDERAL SUPPORT FOR INFRASTRUCTURE

Over 21,000 direct and indirect jobs will be supported in Alberta by Canada's Economic Action Plan

One of the main goals of Canada's *Economic Action Plan* and Alberta's continued investment in infrastructure was the creation of jobs and to encourage the growth of various economic sectors. It is estimated that almost 21,000[1] direct and indirect jobs will be supported from the $2.6 billion of federal support for infrastructure in Alberta over the 2009-14 period.

The following table summarizes federal contributions through Canada's *Economic Action Plan* to Alberta for investment in infrastructure:

Federal Contribution to Alberta through Canada's Economic Action Plan
(millions of dollars)

	2009-14
Building Canada Plan	1,814
Infrastructure Stimulus Fund	424
Knowledge Infrastructure Program	195
Affordable Housing Initiative	119
Communities Component Top-Up	52
Total	2,604

The deadline for completion of projects under stimulus programs was extended from March 31 to October 31 of 2011.

A number of programs under the *Economic Action Plan* were targeted as temporary stimulus measures with a construction completion deadline of March 31, 2011 to qualify. The capital spending had to be immediate and short-term to ensure that the economy received the support when it was needed most, while minimizing the risk of rapid construction cost escalation. Although a vast majority of these projects will meet the deadline, the Government of Canada has issued a construction deadline extension to October 31, 2011 for several projects under the Infrastructure Stimulus Fund, Building Canada Communities Component Top-Up, and Knowledge Infrastructure Program.

[1] Calculated using the Alberta Economic Multipliers, 2006 model, published by Finance and Enterprise, June 2010.

Projects are eligible for the deadline extension as long as some expenditures are incurred by March 31, 2011. The extension of the construction deadline will help ensure that all projects funded under these programs are completed while taking advantage of all the available federal support.

Some of the major projects supported by the **Building Canada** plan and the **Communities Component Top-Up** are:

- Extension of the Calgary southeast ring road and construction of the Edmonton southwest ring road interchanges;
- Improvements to Highway 15/21 corridor at 94th Street to 101st Street in Fort Saskatchewan;
- Expansion of the Mount Royal Conservatory of Music in Calgary, and
- Improvements to Highway 63 and interchanges at Thickwood Boulevard and Confederation Way in Fort McMurray.

It is anticipated that all 226 **Infrastructure Stimulus Fund** projects administered by Alberta will be completed in 2011, including:

All 226 Infrastructure Stimulus Fund projects administered by Alberta will be completed in 2011.

- Rehabilitation of Highway 1, east of Banff National Park Boundary to the Kananaskis River;
- Bridge rehabilitation on Highway 1, southeast of the Medicine Hat Boundary;
- Bridge construction in the Town of Okotoks, and
- Construction of the Canada Sports Hall of Fame in Calgary and the GO Community Centre in Edmonton.

All 40 projects administered by Alberta under the **Knowledge Infrastructure Program** are also expected to finish in 2011. Some of the projects supported by this program are:

40 post-secondary projects received $195 million in support through the Knowledge Infrastructure Program.

- Retrofit of the Chemical Materials Engineering Building at the University of Alberta;
- Installation of a cogeneration unit at the University of Calgary to increase energy efficiency;
- Expansion of the Science and Technology Wing at Mount Royal University;
- Upgrading the Open Knowledge Environment of the Athabasca University to increase capacity for enrolment and research, and
- Renovation of the Alternative Energy Centre at the Northern Alberta Institute of Technology.

The **Affordable Housing Initiative** administered by Alberta provided $119 million over two years for additional affordable housing and over 900 social housing retrofit and regeneration projects.

EXTERNAL CAPITAL FINANCING

Funding for the Capital Plan includes external financing. The province employs the use of direct borrowing and public-private partnerships (P3s) as forms of external capital financing in this budget.

DIRECT PROVINCIAL BORROWING

Budget 2010 included a plan for the province to borrow $3.3 billion directly to fund capital projects. Of the planned $3.3 billion, $2.6 billion will be issued by the end of the 2010-11 fiscal year, with the balance to be issued in 2011-12.

PUBLIC-PRIVATE PARTNERSHIPS

A P3 in Alberta is an infrastructure project in which a private contractor enters into an agreement to design and build the project and provides part of the project financing which is repaid over a period of time. The P3 could also include having the private contractor operate and maintain the project. All payments to the contractor can be subjected to deductions for failing to meet performance standards. The interplay between design, construction, operations, maintenance and performance, creates an extended warranty as the contractor is responsible for the project over the life of the agreement which is typically a 30-year period.

Alberta will pursue a P3 if savings, over the life of the contract, is demonstrated.

Alberta will pursue a P3 when value for money can be demonstrated. Value for money is the difference between the estimated project costs of traditional project delivery and P3 project delivery. The P3 method must demonstrate savings, measured over the life of the contract, in comparison to the traditional method. To reduce the cost of private financing, the province has made contributions during, or upon completion of, construction. Provincial contributions on P3s have ranged from 25 to 66 per cent of the total project cost.

The province records the liability for its P3 projects in accordance with Canadian accounting standards. All principal amounts that must be repaid are a liability on the province's balance sheet, so are "on-book".

The province's six P3 agreements have each generated value for money. Three of the projects, southeast Anthony Henday Drive in Edmonton, northeast Stoney Trail in Calgary and the Alberta Schools Alternative Procurement Phase One (ASAP 1) were completed on time and on budget and are currently operational. Three additional projects, northwest Anthony Henday Drive in Edmonton, southeast Stoney Trail in Calgary and the Alberta Schools Alternative Procurement Phase Two project are under construction, on budget and scheduled to be completed on time.

The Auditor General of Alberta conducted an audit of the ASAP 1 project.

The Auditor General of Alberta completed an audit of the ASAP 1 project in 2010. Some of the Auditor General's key findings and observations were:

- The P3 approach provided value for money;
- Lifecycle costs were minimized;
- Private financing mitigates the risk of the contractor failing to perform, and
- Procurement was conducted in a fair and open manner.

The province is planning the northeast segment of the Anthony Henday Drive as a seventh P3 project. This section of the Edmonton ring road runs from Manning Drive to Highway 16 east and includes a bridge over the North Saskatchewan River.

The following table summarizes the projected use of external capital financing for the 2011-14 period, showing the total liability from prior years plus planned changes each year due to direct borrowing, P3 financing and repayment of amounts borrowed:

Summary of External Capital Financing
(millions of dollars)

	2011-12 Estimate	2012-13 Target	2013-14 Target
Opening liability for capital	4,303	5,222	5,361
Direct borrowing	737	-	-
P3 financing	201	167	229
Principal repayments	(19)	(28)	(32)
Closing liability for capital	5,222	5,361	5,558
Interest payments (expense)	165	205	210

Capital Plan Details

(millions of dollars)

	2011-12 Estimate	2012-13 Target	2013-14 Target	3-Year Total
Municipal Infrastructure Support				
Municipal Sustainability Initiative	836	846	1,000	2,682
Municipal transportation grants	391	414	406	1,211
Federal Gas Tax Fund	200	200	200	600
GreenTRIP	120	120	200	440
Canada's Economic Action Plan supported projects	77	57	-	134
Other support	4	7	6	17
Total Municipal Infrastructure Support	**1,628**	**1,644**	**1,812**	**5,084**
Provincial Highway Network				
Highway construction	477	375	432	1,284
Edmonton Ring Road	280	128	407	815
Rural and Urban North-South Trade Corridors	94	323	391	808
Calgary Ring Road	362	220	87	669
Highway rehabilitation	184	181	179	544
Northeast Alberta Transportation Corridor	191	103	99	393
Other economic corridors	77	24	24	125
Total Provincial Highway Network	**1,665**	**1,354**	**1,619**	**4,638**
Health Facilities and Equipment				
South Calgary Health Campus	309	178	75	562
Grande Prairie Regional Hospital	33	96	167	296
Edmonton Clinic South/Men's Clinic	129	98	-	227
Medicine Hat Regional Hospital	20	60	60	140
Calgary and Edmonton Cancer Strategy Phase 1	22	54	61	137
Health Information Systems, Vaccines and Equipment	144	140	123	407
Other new and expansion projects and capital maintenance	365	188	255	808
Total Health Facilities and Equipment	**1,022**	**814**	**741**	**2,577**
Schools				
Capital maintenance and renewal	99	96	96	291
Alberta Schools Alternative Procurement Phase 2	142	82	-	224
Other new facilities and expansions	48	60	81	189
Total Schools	**289**	**238**	**177**	**704**

Capital Plan Details – continued

(millions of dollars)

	2011-12 Estimate	2012-13 Target	2013-14 Target	3-Year Total
Post-Secondary Facilities				
Capital maintenance and renewal	107	113	114	334
New expansion and other support	144	-	-	144
Total Post-Secondary Facilities	**251**	**113**	**114**	**478**
Community Facilities				
Royal Alberta Museum redevelopment	50	70	60	180
Community Facility Enhancement Program	38	38	38	114
Parks capital maintenance and renewal	13	13	18	44
Mount Royal Conservatory of Music	10	-	-	10
Other support	9	9	14	32
Total Community Facilities	**120**	**130**	**130**	**380**
Water and Wastewater Management				
Regional water/wastewater projects - *Water for Life*	190	120	147	457
Municipal water/wastewater partnership grants	50	50	50	150
Irrigation rehabilitation grants	24	24	24	72
Carseland-Bow River Headworks System rehabilitation	11	8	-	19
Other support	22	20	11	53
Total Water and Wastewater Management	**297**	**222**	**232**	**751**
Housing				
Affordable Housing & Homelessness Prevention program	100	82	50	232
Social Housing Portfolio Revitalization	40	48	54	142
Affordable Supportive Living Initiative	75	-	-	75
Parsons Creek onsite development	58	-	-	58
Total Housing	**273**	**130**	**104**	**507**
Government Facilities, Equipment and Other Capital				
Carbon Capture and Storage initiative	70	149	299	518
Alberta First Responder Radio Communication System	164	100	41	305
Edmonton Remand Centre replacement	135	46	-	181
Climate Change and Emissions Management Fund	51	53	53	157
Federal Building retrofit and parkade	115	38	-	153
Public safety and law enforcement training centre	20	50	47	117
Canada ecoTrust for Clean Air and Climate Change	38	26	-	64
Capital maintenance and renewal	10	10	10	30
Other support	484	300	209	993
Total Government Facilities, Equipment and Other Capital	**1,087**	**772**	**659**	**2,518**
Total Capital Plan	**6,632**	**5,417**	**5,588**	**17,637**

Note: These are projected profiles and are subject to change.

ECONOMIC OUTLOOK

Budget 2011

Building **a better Alberta**

ECONOMIC OUTLOOK

Budget 2011

Building **a better Alberta**

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SUMMARY AND KEY ASSUMPTIONS

- Alberta's economic recovery in 2010 was stronger than initially expected. Despite real GDP growth estimated at 3.5%, weakness early in the year meant employment was down 0.4% in 2010, and the unemployment rate averaged 6.5%. Led by a strong oil sector, Alberta's economy is expected to shift from recovery to expansion in 2011 with growth of 3.3%.
- Economic growth is forecast to average 3.2% between 2012 and 2014, a sustainable pace of growth that should keep inflation in check and employment growth near 2%. By 2014, Alberta's unemployment rate is expected to be down to 4.5%.
- Risks to the global economy remain unusually high as many major developed economies grapple with high government debt levels and ongoing structural problems in the financial sector. Growth leaders in emerging markets, on the other hand, must deal with rising inflation pressures and the need to re-align the value of their currency with the US dollar.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2009-10 Actual	2010-11 Estimates	2011-12	2012-13	2013-14
Prices					
Crude Oil Price					
WTI (US$/bbl)	70.71	81.45	89.40	95.50	95.75
Alberta Wellhead (Cdn$/bbl)[a]	68.92	72.45	79.43	84.91	84.85
WCS @ Hardisty (Cdn$/bbl)	61.52	64.38	72.02	78.32	80.17
Natural Gas Price					
Alberta Reference Price (Cdn$/GJ)	3.58	3.26	3.45	4.05	5.00
Production					
Conventional crude oil (000s barrels/day)	449	471	484	470	459
Raw bitumen (000s barrels/day)	1,493	1,631	1,850	2,119	2,357
Natural gas (billions of cubic feet)	4,752	4,464	4,055	3,745	3,513
Interest rates					
3-month Canada treasury bills (per cent)	0.22	0.75	1.75	3.00	3.75
10-year Canada bonds (per cent)	3.38	3.15	3.65	4.25	4.75
Exchange Rate (US¢/Cdn$)	91.95	97.96	98.38	98.00	98.00

Calendar Year Assumptions	2010 Actual	2011	2012	2013	2014
Gross Domestic Product					
Nominal (millions of dollars)	271,648[b]	290,839	313,813	334,121	356,074
per cent change	9.9[b]	7.1	7.9	6.5	6.6
Real (millions of 2002 dollars)	184,417[b]	190,462	196,594	203,015	209,346
per cent change	3.5[b]	3.3	3.2	3.3	3.1
Other Indicators					
Employment (thousands)	2,017	2,058	2,100	2,137	2,174
per cent change	-0.4	2.0	2.0	1.8	1.7
Unemployment rate (per cent)	6.5	5.5	5.0	4.8	4.5
Average Weekly Earnings (per cent change)	4.4[b]	4.2	4.1	4.0	3.8
Personal Income (per cent change)	3.9[b]	5.9	6.3	6.6	6.4
Corporate Profits (per cent change)	42.8[b]	10.0	16.6	7.2	8.5
Housing starts (number of units)	27,088	26,200	28,400	29,000	29,400
Alberta Consumer Price Index (per cent change)	1.0	1.9	2.3	2.2	2.2
Population (thousands)	3,721	3,778	3,840	3,904	3,970
per cent change	1.4	1.5	1.6	1.7	1.7

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.
[b] Alberta Finance and Enterprise estimate.

ECONOMIC OUTLOOK 2011–14

WORLD ECONOMIC GROWTH IS A 2-LANE HIGHWAY ...

- The world economic recovery was firmly established in 2010, with global GDP growth rebounding to an estimated 5.0% in response to the exceptionally supportive policy environment. While world GDP growth is forecast to continue at a solid 4.4% in 2011, very different trajectories are underpinning that growth.

Developed World

- The developed world is in the 'slow lane', although the Euro-zone and North America face different challenges. Collectively the developed world economies are expected to have sluggish growth.
- Recovery in the US housing and labour markets has remained elusive and lackluster private demand has led US policy makers to maintain exceptionally easy monetary and fiscal policies. While this will support growth in the near term, the US government will eventually need to address the debt created by its supportive fiscal policy, which will temper growth.
- In contrast, Canada's economy has recovered virtually all the jobs lost in the 'great recession', and enjoyed a strong rebound in the housing market. Going forward, growth is likely to be more restrained as elevated household debt levels weigh on consumer spending and a high Canadian dollar dampens Canadian exports.

Developing World

- The developing world is expected to remain in the 'fast lane' due to growth leaders such as China, India, and Brazil.
- Many emerging economies have already moved to more restrictive monetary and fiscal policies to restrain growth because of rising inflation.
- These economies, traditionally driven by export oriented growth, need look no further than their own domestic markets to support continued expansion.

MAKING LANE CHANGES DIFFICULT ...

- To support growth, interest rates are being kept low in developed countries, but are rising in emerging economies as these countries try to rein in inflation and prevent asset price bubbles.

- China has been reluctant to allow its yuan to appreciate rapidly. The yuan, which has been tied to the US dollar, has contributed to China's large and growing trade surplus with the US. Without a successful resolution to currency market tensions, rising trade protectionism poses a risk to global economic growth.
- Currency markets have also been battered as Europe has lurched from one sovereign debt crisis to the next, throwing credit and currency markets into turmoil. While bail-outs have worked so far, the Euro-zone and the euro itself remain vulnerable.
- Although the rapid economic expansion in the developing world has provided a strong boost to commodity prices, volatility has remained high as fears over world growth can quickly undercut prices.
- This level of volatility and uncertainty has a negative impact on businesses who prefer to a more stable investment climate.

ALBERTA CRUISES ON OIL PRICE STRENGTH ...

- Oil prices have been strong and are expected to average US$81.45 per barrel in 2010-11, rising to US$95.75 by 2013-14.
- On the back of these strong oil prices, investment has rebounded in Alberta in both oil sands and conventional oil. Robust investment and increasing oil exports are expected to drive Alberta's economic growth through the forecast period.
- Natural gas, an important sector in Alberta, remains weak due to increased competition from shale gas deposits located near major US markets. Although natural gas prices are expected to recover from their current lows to C$5.00 per gigajoule by 2013-14, this remains well below the levels prevailing in recent years. The weak price outlook will weigh on natural gas investment and exports.
- Outside the oil sector, business investment remained weak in 2010. Non-energy investment is expected to gradually pick up going forward, as other sectors of the economy strengthen.
- Alberta's manufacturing shipments, particularly petroleum and coal related, were strong in 2010. Manufacturing exports are expected to continue gaining strength as the global economy moves into expansion mode.

THE ALBERTA LABOUR MARKET HITCHES A RIDE ...

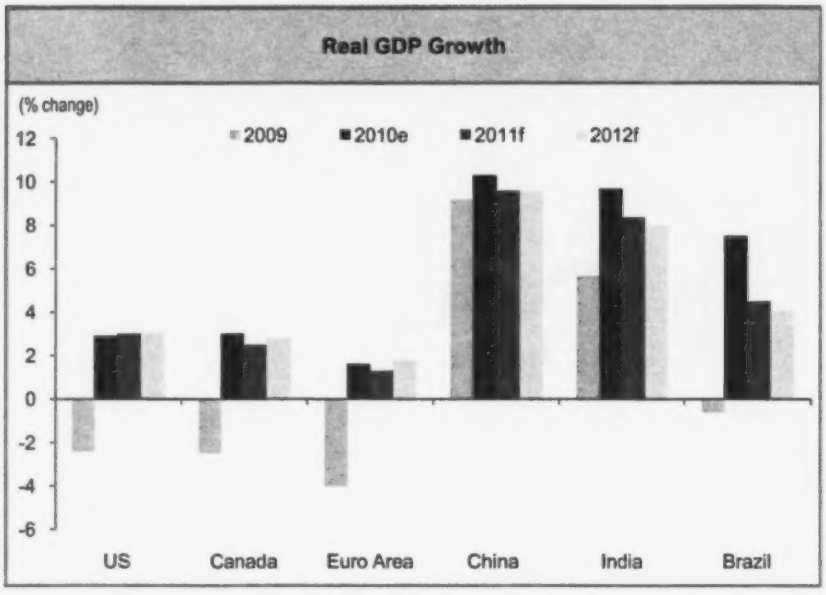
- Employment growth is forecast to improve significantly in 2011, following a small decline in 2010. Strong employment growth is expected to continue through the forecast period, and average just under 2% through 2014.
- The unemployment rate is expected to average 5.5% in 2011 and drop to 4.5% by 2014. This could lead to some labour shortages in specific high growth industries and occupations.
- Growth in average weekly earnings in Alberta has recently picked up, partly because of a significant increase in the length of the average work week. While further increases in weekly hours are likely to be more subdued, real wages will continue to rise in Alberta.
- Although international and interprovincial migration are expected to strengthen as Alberta's labour market picks up, overall migration is not likely to return to the exceptional levels prevailing during the boom. Alberta's housing market is thus forecast to remain healthy, but not return to the exceptionally high levels of the boom years.
- Consumer spending in Alberta had a strong year in 2010. That strength, on the back of employment and wages gains, is expected to remain a robust contributor to Alberta's growth.

ALBERTA'S ECONOMY EXPOSED TO EXTERNAL TURMOIL AS THE WORLD ECONOMY HAS NO 'SPARE TIRE'

- Although Alberta's economic growth is forecast at a robust 3.3% in 2011, and to average a healthy 3.2% over the medium term, there are significant risks to the outlook.
- Alberta's economic growth is largely driven by oil-related activity, particularly in the oil sands. This type of concentrated, commodity-based mega-project driven growth leaves the province particularly vulnerable to external turmoil in currency, credit and commodity markets.
- The US, Japan and key parts of Europe continue to struggle with structural problems in their financial sectors, high levels of public debt, and sluggish labour markets. The challenge in these countries is how to reduce government deficits and raise interest rates to more normal levels without jeopardizing their continued economic expansion.
- In contrast, growth leaders in major emerging markets such as China, India, and Brazil are facing rising inflation and in some cases, upward pressure on their currencies. Efforts by major emerging markets to restrain inflation could slow economic growth unduly and adversely impact commodity prices. Policy makers around the globe must walk a fine line.

Unbalanced Global Growth

After contracting in 2009 for the first time since the Second World War, the global economy bounced back in 2010, with unexpectedly strong growth estimated at 5.0%. This was driven by the strong performance in emerging economies and exceptionally supportive monetary and fiscal policies. Global growth moderated in the second half of 2010, restrained by sovereign debt crises in Europe and a weak US labour market. While the global economic expansion is well-established, risks remain.

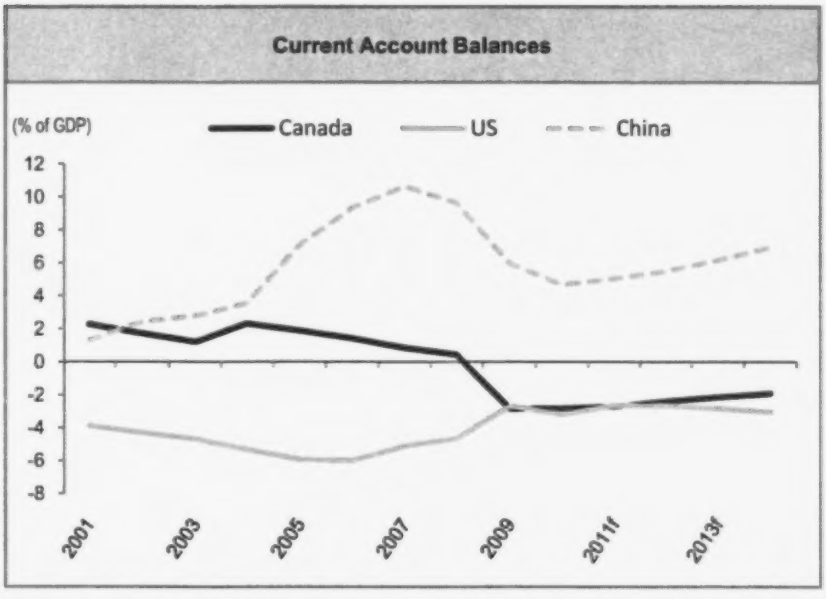


Sources: Statistics Canada, US Bureau of Economic Analysis, International Monetary Fund and Alberta Finance and Enterprise.

Note: References to 'e' indicate an estimate for that year, 'f' indicates forecast years.

Trade Imbalances Increase Protectionist Pressures

Large trade imbalances, particularly between the US and China, are increasing protectionist pressures, posing a key risk to a sustained global economic recovery. Emerging and developing economies, the key drivers of global economic growth, have traditionally relied on exports to grow their economies. Shifting to domestic consumption in these countries would help reduce global trade imbalances and tensions.



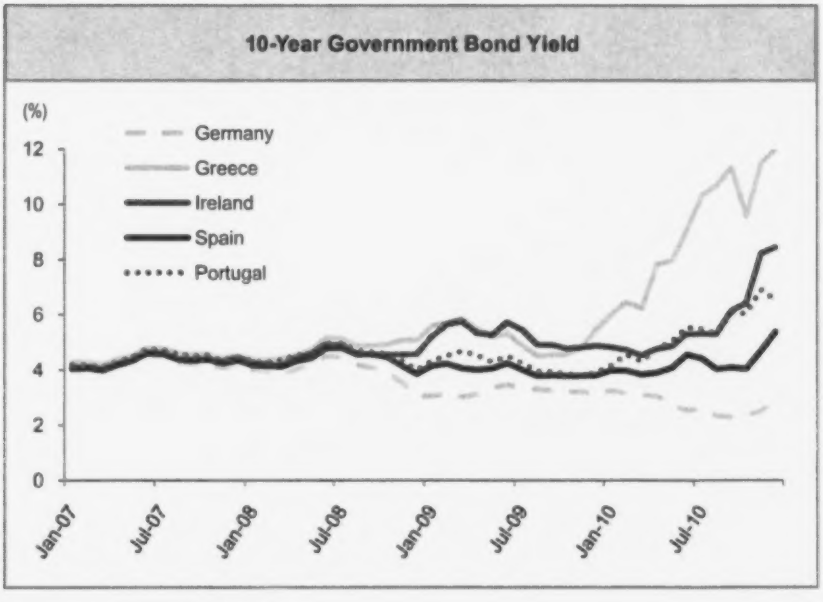
Source: International Monetary Fund, World Economic Outlook, October 2010.

Currency Valuations Causing Tension

Although the Chinese yuan was allowed to appreciate modestly prior to the 2008 global financial crisis, it remained unchanged against the US dollar until mid-2010, when the Chinese government allowed a small appreciation in response to international pressure. In 2010, the Canadian dollar traded between US93 cents and parity, appreciating with rising commodity prices and falling when financial market jitters sent investors to the safe haven of the US greenback. The Canadian dollar is expected to remain near parity over the forecast period.

Source: US Federal Reserve Board. (Note: RHS- right-hand side, LHS- left-hand side)

Sovereign Debt Worries Credit Markets

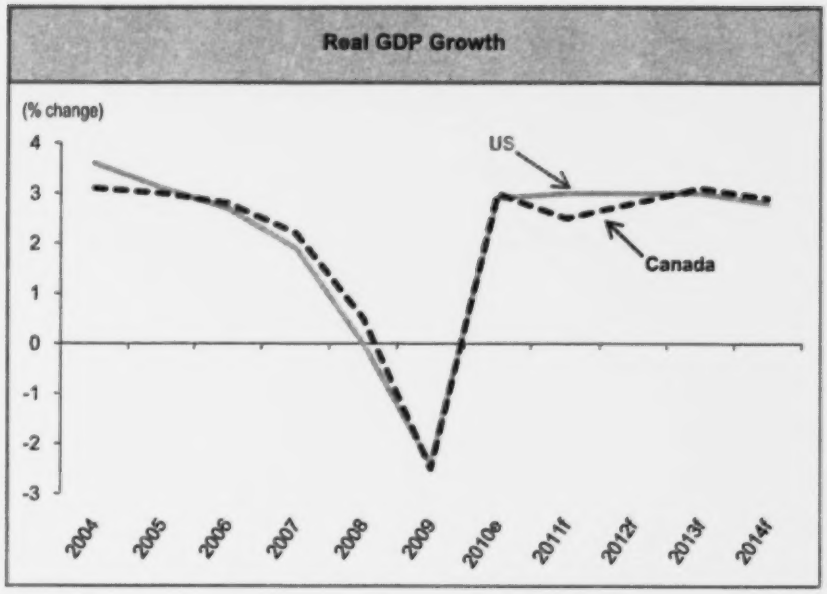


Government debt jumped in most advanced economies in 2009 due to reduced tax revenues and increased government spending to support the economy. The worsening debt situation led to sovereign debt crises in Greece and Ireland in 2010. Although the bail out packages created by the International Monetary Fund and rest of the Euro-zone helped stabilize the euro, financial markets remain on edge and are closely watching developments in Spain and Portugal.

Source: European Central Bank.

Modest North American Growth

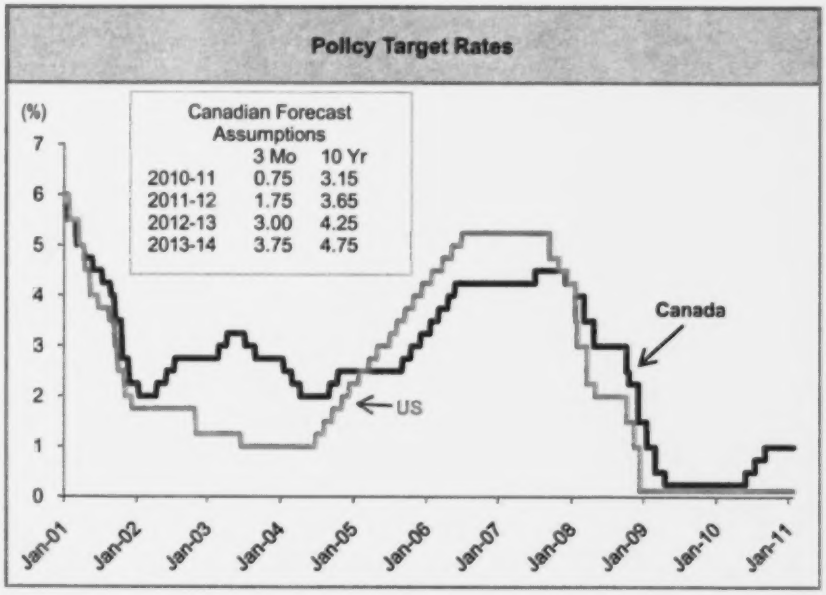
In contrast to the US, Canadian financial institutions maintained strong balance sheets during the financial crisis and Canada's housing and labour markets have bounced back. Nonetheless, a weak trade performance kept Canada's overall economic growth similar to that of the US. Due to the headwinds posed by the strong Canadian dollar and rising consumer debt, economic growth in Canada is expected to remain very similar to that in the US over the forecast period.



Sources: Statistics Canada, US Bureau of Economic Analysis and Alberta Finance and Enterprise.

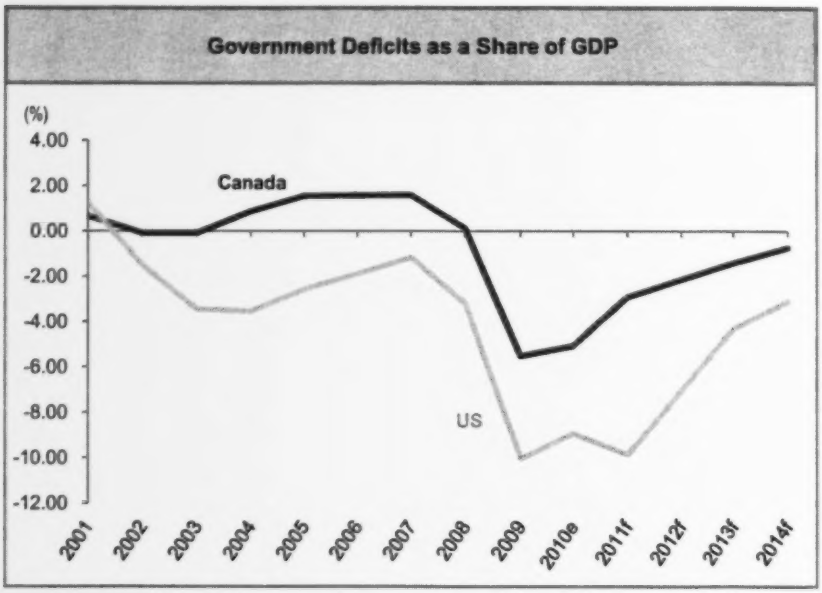
Rock Bottom Interest Rates

The massive monetary stimulus provided during the credit crisis remains largely intact. Slowing economic growth and rising uncertainty forced the Bank of Canada to move to the sidelines in the summer of 2010 following its initial attempts at normalizing interest rates. Meanwhile, the US Federal Reserve Board has kept interest rates unchanged and resorted to a second round of quantitative easing (QE2) in response to continued high unemployment. As the economy improves, both the Bank of Canada and the US Federal Reserve Board are expected to normalize rates, which will temper growth.



Sources: Bank of Canada and US Federal Reserve Board.

Government Spending Restraint Looming



Despite some improvements in 2010, governments in Canada and the US still face significant fiscal challenges as the economic recovery moves on to firmer ground. The US fiscal deficit, particularly in light of the recent compromise budget, remains unusually high and unsustainable. Returning to fiscal balance will be challenging and will pose a serious threat to growth if the restraint is not designed and timed correctly.

Source: International Monetary Fund, World Economic Outlook, October 2010.

Consumer Spending Constrained by Debt

While Canadians continued to build up debt in 2010, US households constrained spending in order to improve their balance sheets. Consumer debt in Canada is now higher than in the US, raising concerns about Canadian consumers' ability to spend over the near term. The Canadian government has recently moved to tighten mortgage lending in an effort to restrain consumer debt levels.

Sources: Statistics Canada, US Bureau of Economic Analysis and US Federal Reserve Board.

US Housing Yet to Recover

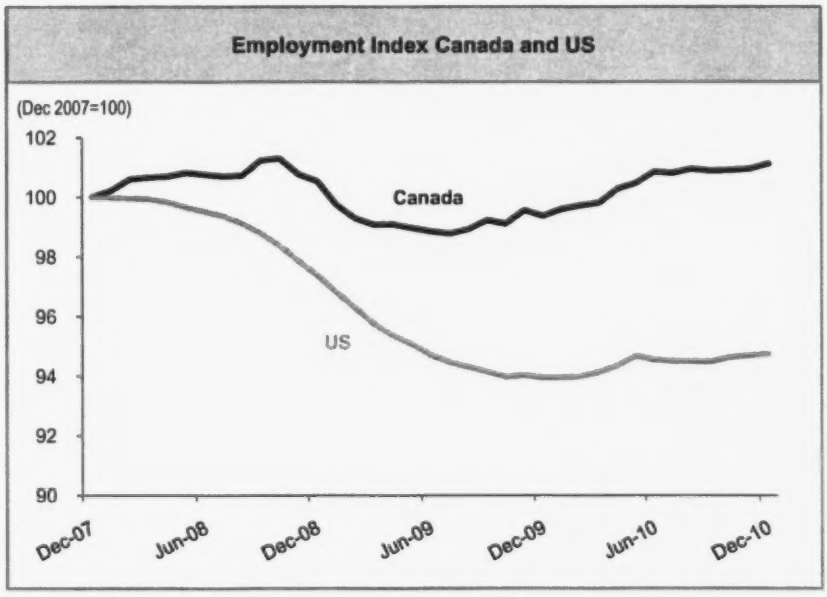
Following a sharp downturn during the recession, Canada's housing market rebounded strongly in the second half of 2009. The US housing market on the other hand has been weighed down by exceptionally high numbers of foreclosures and weak employment growth.

While further gains in the Canadian housing market are expected to be limited, low interest rates and pent up demand could provide a significant boost to US housing over the forecast period.

Sources: Canada Mortgage and Housing Corporation and US Census Bureau.

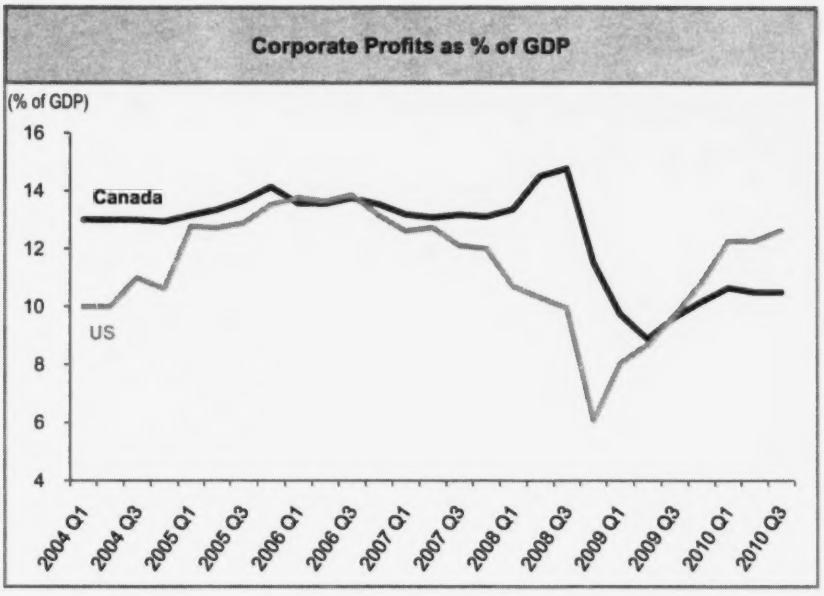
Lackluster US Labour Market

US labour markets have been much harder hit than in Canada. Job losses began sooner in the US and were more severe. The Canadian labour market began to recover in late 2009, with virtually all job losses fully recouped by December 2010. In contrast, US employment is still down over 7 million jobs from the pre-recession peak. Housing and consumer spending in the US are unlikely to recover until the economy generates jobs on a sustained basis.



Sources: Statistics Canada and US Bureau of Labour Statistics.

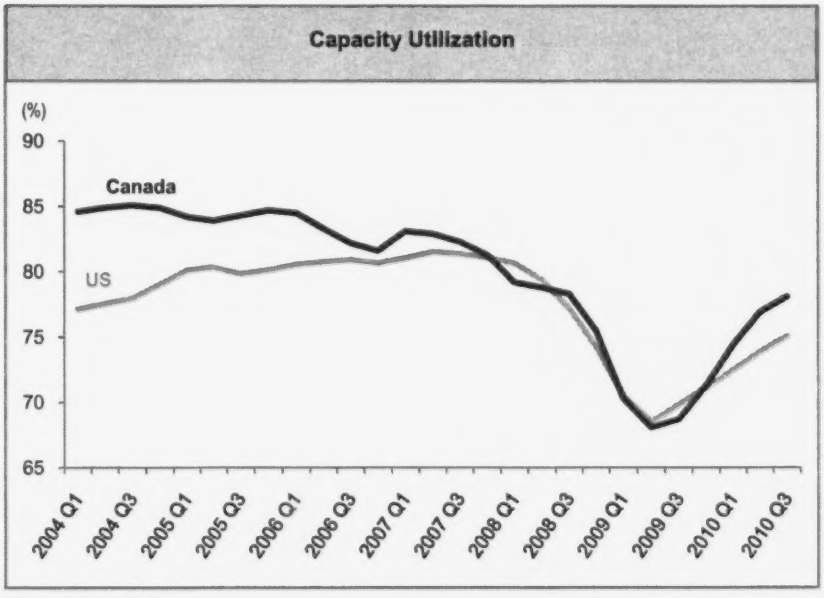
US Corporate Profits Bounce Back



Despite the sharp rebound in corporate profits since the recession, US employment growth has been negligible. In fact, corporate profits have enjoyed a stronger recovery in the US than Canada, in part because of more aggressive layoffs. A sustained global economic expansion and strong commodity prices bode well for continued strength in corporate profits in both countries, and should eventually boost hiring by US firms.

Sources: US Bureau of Economic Analysis and Statistics Canada.

Firms Operating Below Potential

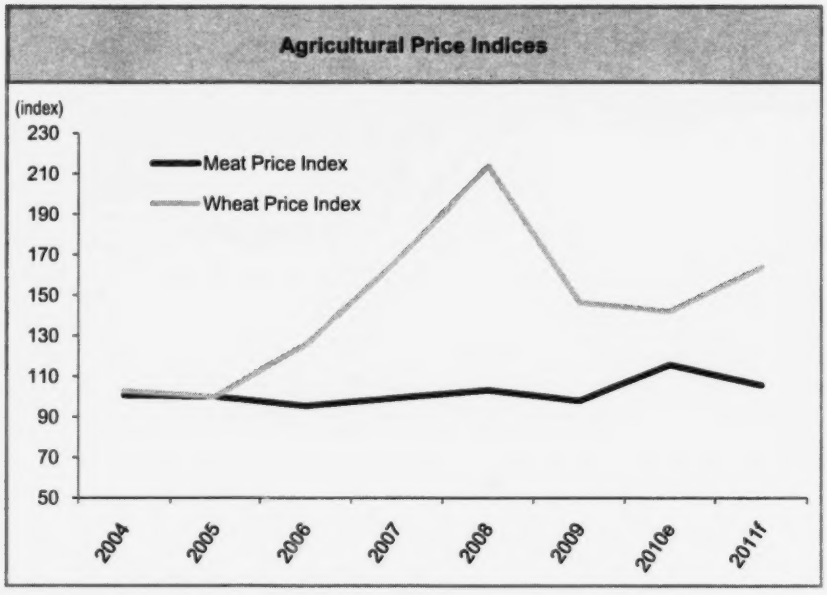


Even with the strength in corporate profits and rock bottom interest rates, firms were reluctant to expand investment significantly in 2010 in the face of continued high excess capacity. The 2010 recovery in capacity utilization rates was stronger in Canada than in the US, but capacity utilization remains significantly below pre-recession levels in both countries. As capacity utilization rates recover, companies are likely to increase employment and investment.

Sources: Bank of Canada and US Federal Reserve Board.

Rising Food Prices Putting Pressure on Inflation

Following a sharp drop in the last half of 2008, global food prices began a slow recovery in 2009 before rising higher again in 2010. In particular, grain prices rose in the latter part of 2010 as adverse weather conditions reduced yields and some countries restricted grain exports. Meat prices experienced some gains in 2010 as the world economy recovered and meat supplies tightened.

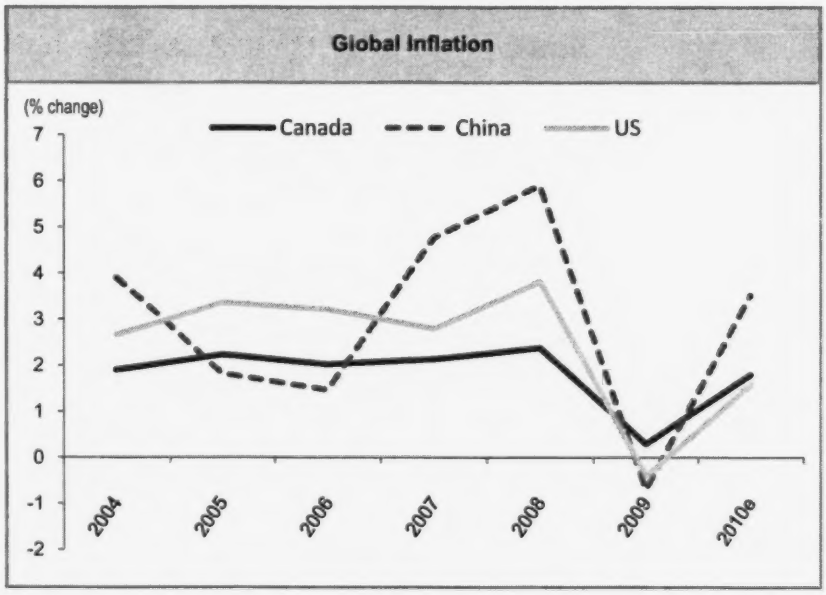


Source: International Monetary Fund, World Economic Outlook, October 2010.

Inflationary Pressures in Emerging Markets

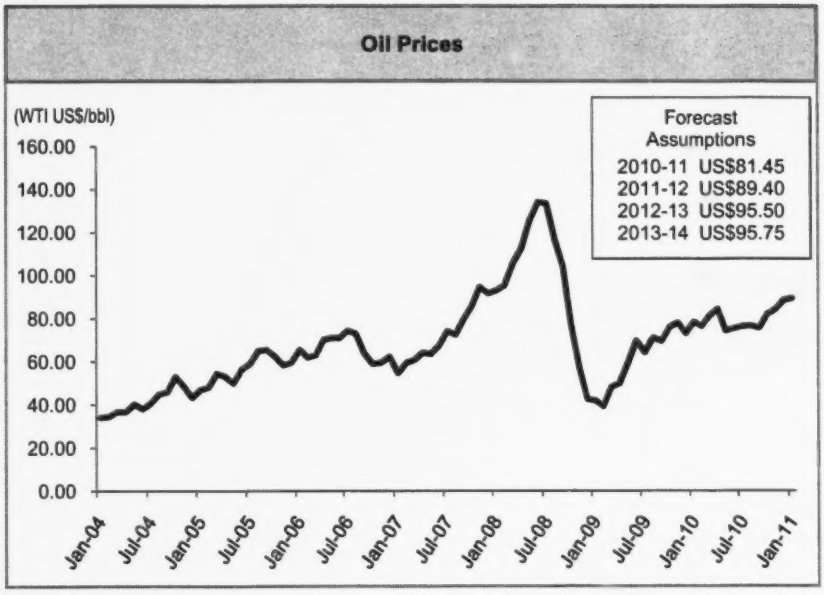
Rising food prices, particularly in emerging markets like China, have put upward pressure on inflation. Strong economic growth and large capital inflows are adding to inflation pressures. Developing countries are thus tightening monetary policy to restrain inflation. A sharp slowdown in emerging markets could adversely affect commodity prices.

With capacity utilization rates remaining low, there is scant pressure on prices in developed countries.



Sources: International Monetary Fund, Statistics Canada and US Bureau of Economic Analysis.

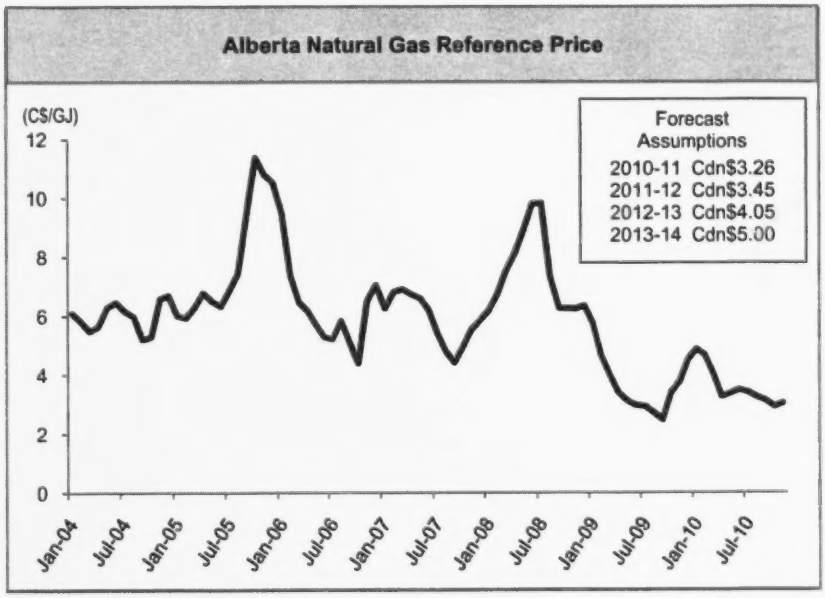
Strong Prices Lift Alberta's Oil Patch



With a recovery in global oil demand in 2010, and investors' rising appetite for commodities, oil prices have posted strong gains. Oil prices increased from an average of US$70.71/bbl in 2009-10 to an estimated US$81.45 in 2010-11 and are expect to reach US$95.75 by 2013-14. Continued global economic growth, particularly in emerging markets, bodes well for oil prices. Even so, prices are likely to remain volatile due to ongoing concerns in currency and credit markets. This could be further exacerbated by political unrest in major oil-producing regions.

Source: Alberta Energy.

US Shale Supplies Weigh on Gas Prices

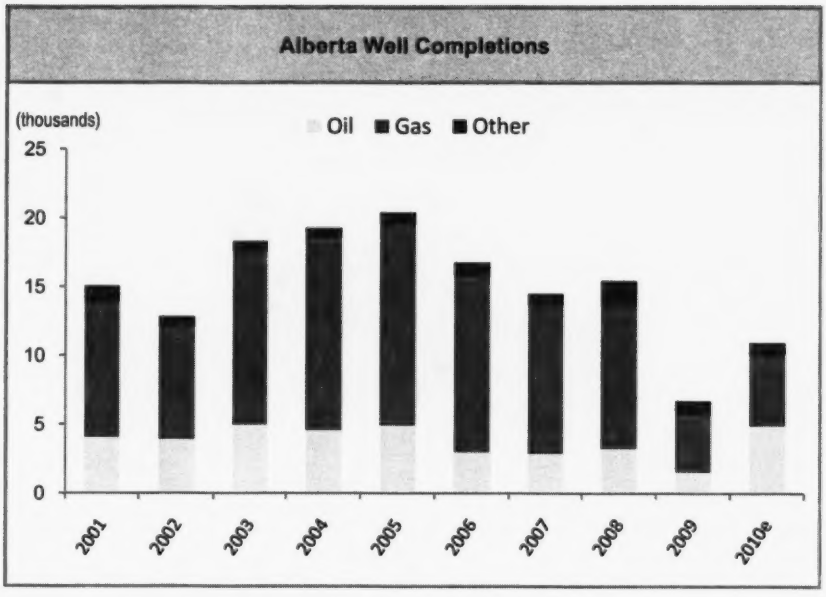


Technological breakthroughs in drilling for shale gas have led to a sharp increase in US supplies of natural gas, putting downward pressure on prices. With inventories remaining close to historical highs, natural gas prices are expected to remain weak in 2011-12.
A recovery in US industrial demand and some restraint in gas supplies (as lower prices discourage drilling directed at gas) are expected to help gas prices recover in 2012-13, but they are unlikely to return to their pre-shale highs.

Source: Alberta Energy.

Oil Directed Activity Drives Energy Sector

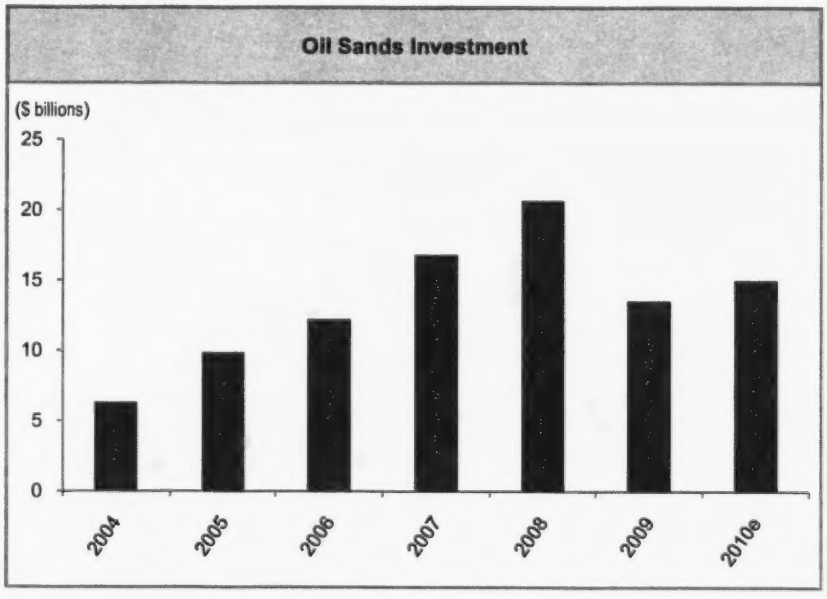
Drilling activity has shifted from natural gas to oil. The sharp declines in gas prices over the past few years have reduced interest in gas and increased the number of conventional and bitumen oil well completions.



Sources: Energy Resources Conservation Board and Alberta Energy.

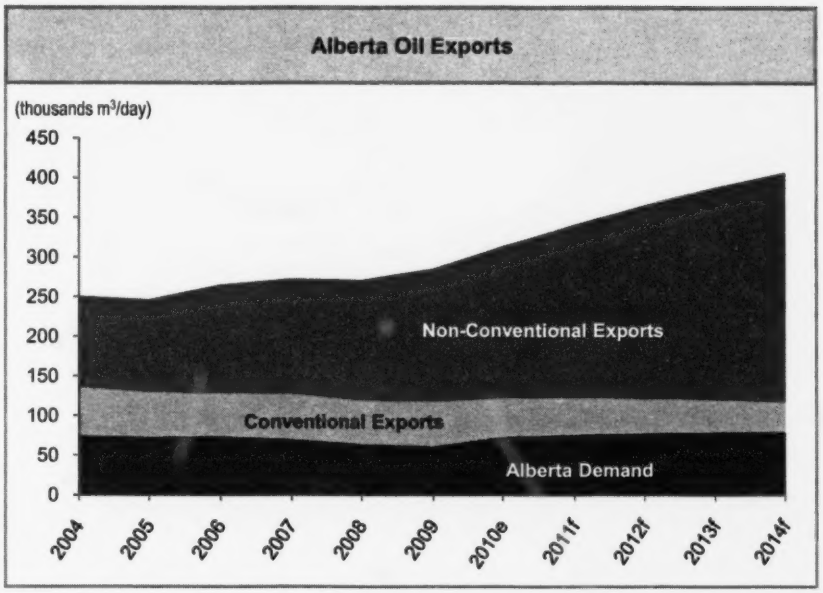
Oil Sands Investment Strengthens

Most of the oil sands projects that were put on hold during the recent downturn received the green light in 2010. Non-conventional investment increased an estimated 11% to nearly $15 billion in 2010. Although this is lower than the 2008 peak of over $20 billion, it is forecast to gradually rise over the medium term. Rising oil prices and dwindling supplies of conventional oil make oil sands a sought after resource.



Source: Statistics Canada.

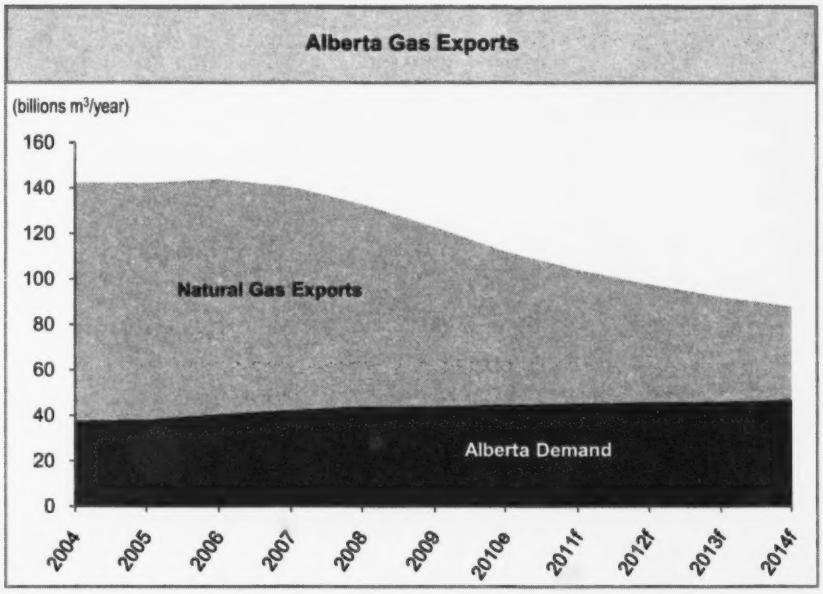
Unconventional Oil Powering Exports



The completion of several oil sands projects in recent years has contributed to a surge in Alberta's non-conventional oil production and exports. Overall, non-conventional oil exports increased by an estimated 14% in 2010. Exports of synthetic crude oil rose by around 13% and bitumen by 16%. Given a steady increase in oil sands investment, the double digit growth in exports is projected to continue over the medium term, making a significant contribution to Alberta's overall economic growth.

Sources: Alberta Energy and Energy Resources Conservation Board.

Weaker Natural Gas Exports

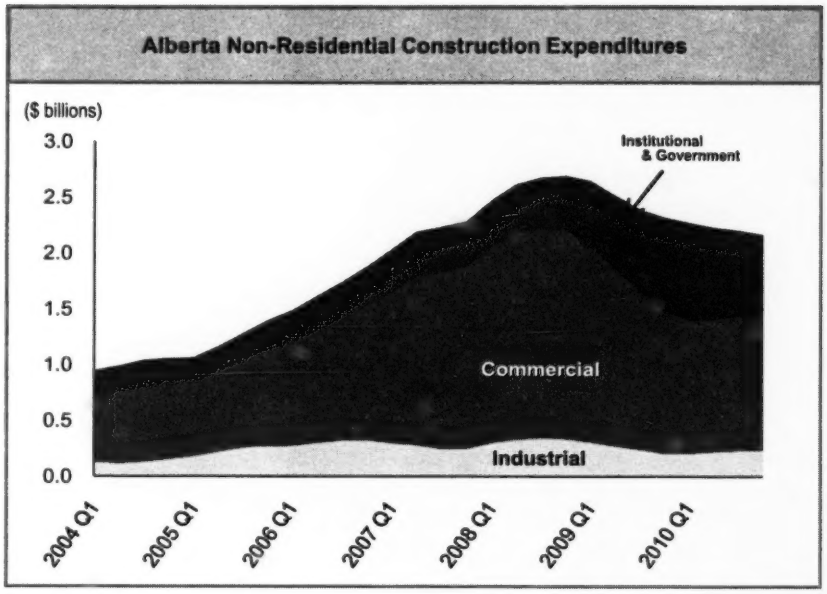


Natural gas exports have been declining since 2005 and the pace has accelerated in the past two years. Gas exports fell by an estimated 15% in 2010. Alberta natural gas exports are falling even faster than production due to rising use in oil sands production. Alberta gas exports are also constrained by rising US shale gas supplies. As a result, natural gas exports are expected to be a drag on Alberta's growth over the forecast period.

Sources: Alberta Energy and Energy Resources Conservation Board.

Non-Energy Investment Remains Weak

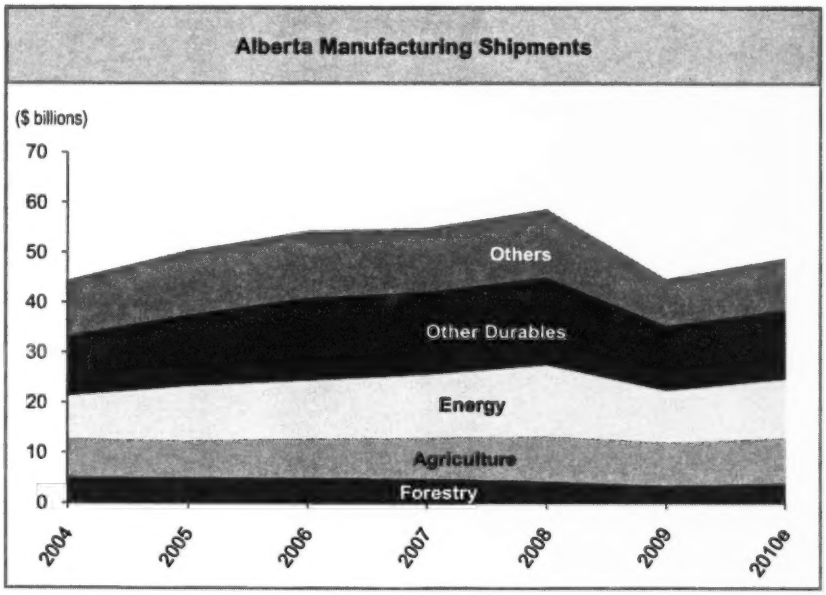
Outside the energy sector, non-residential construction remained weak in 2010. Industrial construction expenditures dropped 13% in 2010, following a 22% drop in 2009, while commercial construction expenditures dropped 20% after declining 18% the previous year. Growth in institutional and government non-residential construction expenditures moderated from 57% in 2009 to 13% in 2010.



Source: Statistics Canada.

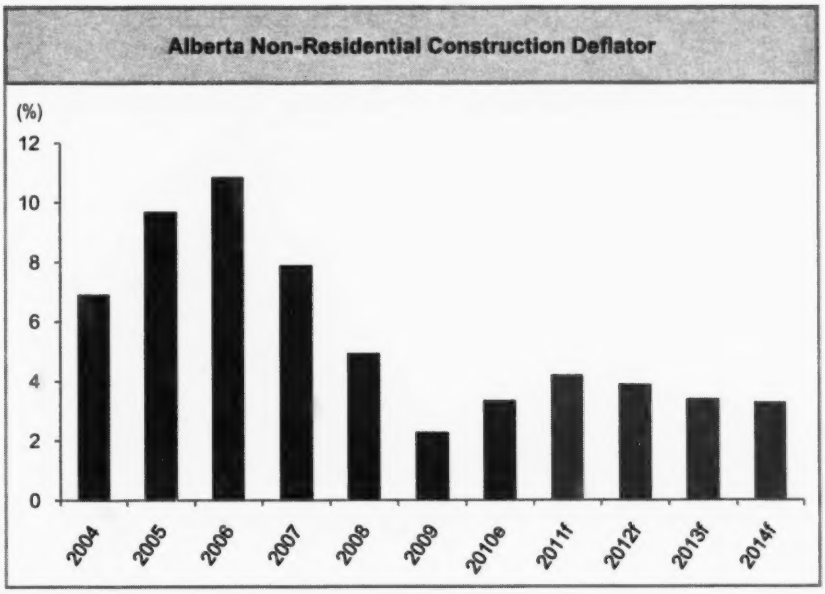
Manufacturing Sector Strengthens

The global economic recovery along with strength in commodity and food prices helped boost Alberta's manufacturing shipments by about 10% in 2010. Petroleum and coal, petro-chemical and food products led the increase. With the exception of the food products sector, which has fully recovered losses from the 2009 downturn, most other sectors are still below pre-recession levels. Manufacturing exports are forecast to gain momentum as the global economic expansion continues.



Sources: Statistics Canada and Alberta Finance and Enterprise.

Construction Costs To Remain Moderate



Overall non-residential construction costs, which escalated rapidly during the boom, increased by a modest 2.3% in 2009 as private investment fell. Growth in non-residential construction costs increased somewhat in 2010 but is forecast to remain relatively moderate over the forecast period. However, cost pressures could re-emerge if labour shortages become prevalent.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Corporate Profits Return to Normal

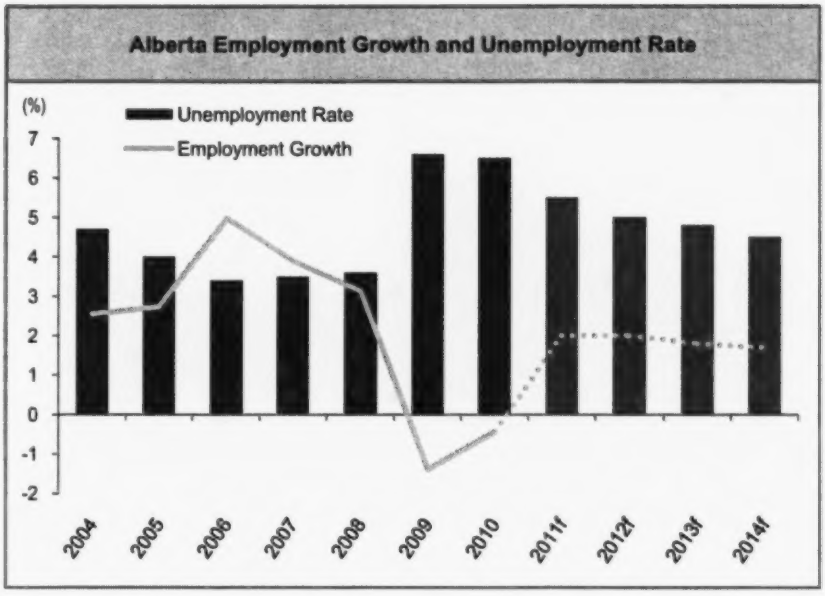
Corporate profits in Alberta plummeted in 2009 as the decline in economic activity and commodity prices bruised companies' balance sheets. The quick recovery in oil prices restored profits somewhat in 2010. The recovery is expected to continue as stronger oil, food and manufacturing prices increase corporate profits to 18% of nominal GDP, close to their long-term average.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Labour Market Strengthening

Employment staged a modest recovery in the latter part of 2010; however, weakness early in the year meant employment edged down 0.4%, following a 1.4% decline in 2009. Employment is now on track to grow at a strong 2% in 2011 and continue near that pace through 2014.

The unemployment rate averaged 6.5% in 2010, and is expected to fall to 5.5% in 2011 and slowly decline to 4.5% by 2014.



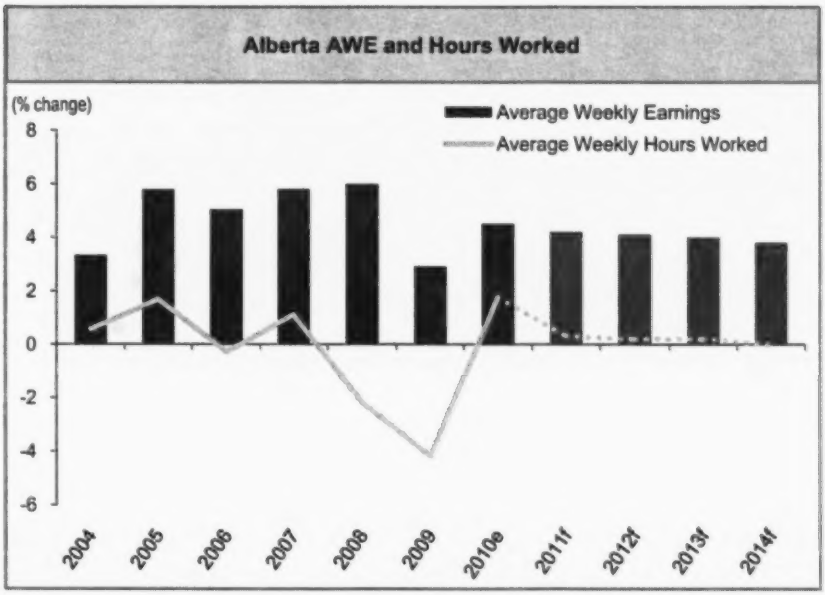
Sources: Statistics Canada and Alberta Finance and Enterprise.

Average Weekly Earnings Influenced by Hours Worked

Average weekly earnings grew by an estimated 4.4% in 2010, an improvement over the 2.9% increase recorded in 2009. The increase was due in part to a longer average work week.

Growth in average weekly hours is expected to remain relatively modest as employers hire new workers in lieu of increasing hours for their existing workers.

With strong growth in employment, average weekly earnings growth is expected to remain near 4% over the forecast period.



Sources: Statistics Canada and Alberta Finance and Enterprise.

Consumer Inflation to Remain Subdued

Following the surge during the boom, consumer prices dropped 0.1% in 2009. Consumer prices rose 1% in 2010, well below the national average increase of 1.8%.

Over the forecast period, inflation in Alberta is expected to remain just above the national average of around 2%.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Personal Incomes Recover and Make Real Gains

The recession hit personal incomes hard in Alberta. After suffering a 2.7% drop in 2009 (its steepest decline since the 1980s), personal income per capita in Alberta was up an estimated 2.5% in 2010.

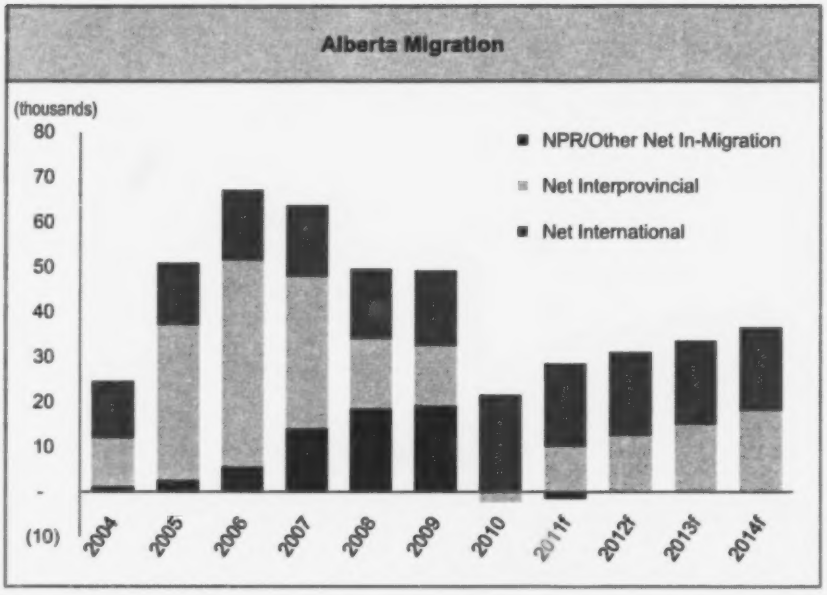
Stronger growth in employment and wages is expected to provide a boost to labour income. Growth in personal income per capita is expected to remain around 4.5% over the forecast period.

Sources: Statistics Canada and Alberta Finance and Enterprise.

In-Migration Strengthens

Net interprovincial migration is forecast to recover moderately, as Alberta's labour market picks up.

International immigration, however, will likely become a more important source of migration to the province. Unlike the boom years, which saw significant inflows of non-permanent residents, non-permanent residents are expected to contribute little to population growth in the coming years as Alberta's labour market becomes more balanced.



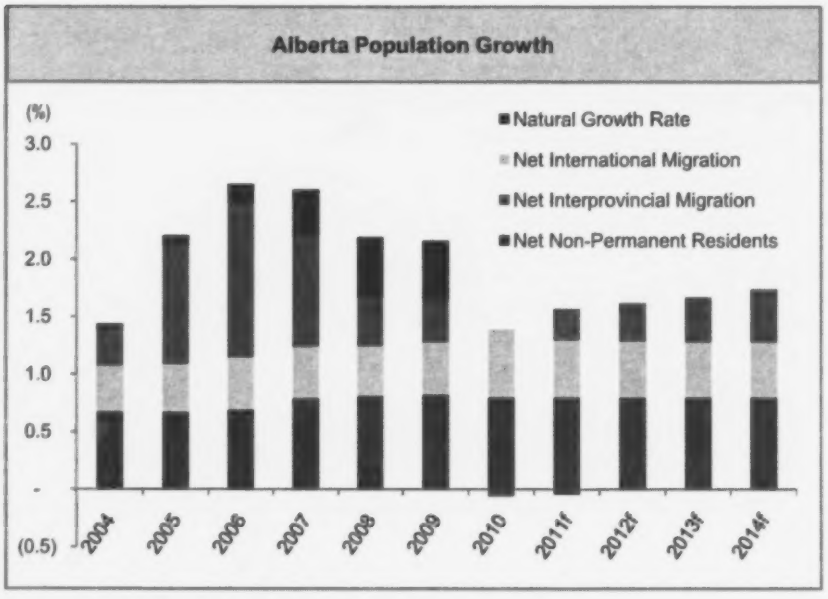
Sources: Statistics Canada and Alberta Finance and Enterprise.

Population Growth Picks Up

Population growth in Alberta is expected to pick up slowly in the near future, but not to reach the highs witnessed in the boom years that were driven by exceptionally high in-migration.

Natural increase — the number of births less the number of deaths — is expected to form the largest component of population growth in the future, but is projected to remain relatively flat.

With increased in-migration over the forecast period, population growth is anticipated to reach 1.7% by 2014, up from 1.4% in 2010.



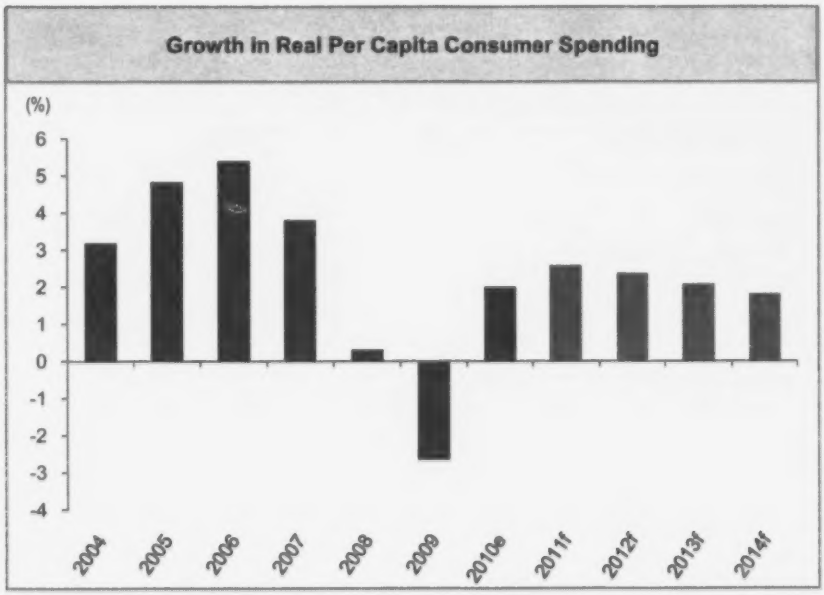
Sources: Statistics Canada and Alberta Finance and Enterprise.

Moderate Migration Normalizes Housing Markets

Housing starts in Alberta recovered strongly in 2010, driven by an improving economy and historically low borrowing costs. Housing starts slowed in the second part of 2010 because of rising inventories, particularly in the single-detached segment. Higher interest rates and modest population growth are expected to keep housing starts growing modestly over the forecast period, in line with demographic requirements.

Sources: Canada Mortgage and Housing Corporation and Alberta Finance and Enterprise.

Alberta Consumers Recover



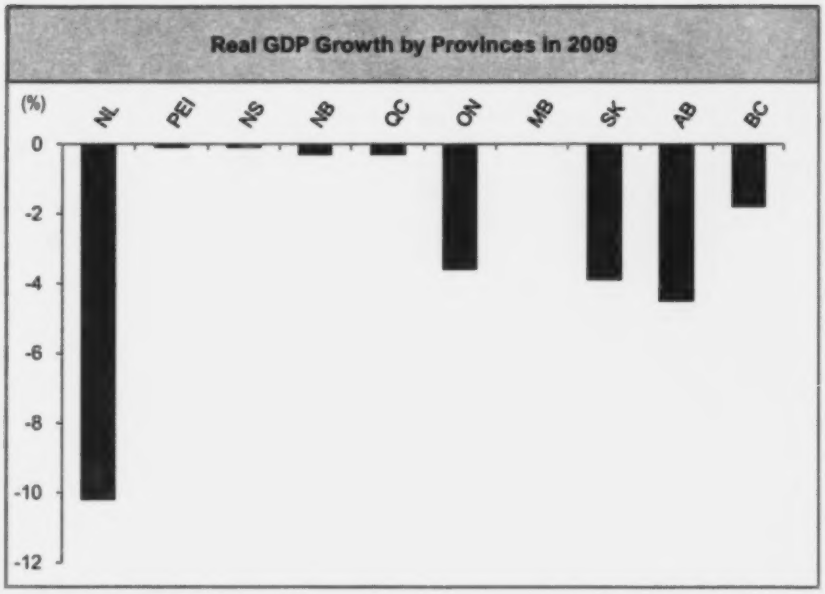
After a sharp decline in 2009, consumer spending per capita recovered in 2010. Improved consumer confidence and a strong labour market are expected to sustain growth in real per capita consumer spending over the forecast period, at an average rate of 2.3% per year.

Sources: Statistics Canada and Alberta Finance and Enterprise.

Resource Provinces Hit Hard in 2009

Alberta, like other resource exporting provinces, was hit unexpectedly hard by the 'great recession' in 2009. Alberta, Saskatchewan, and Newfoundland and Labrador all experienced sharp declines as commodity prices slid and trade and investment were frozen by the crisis.

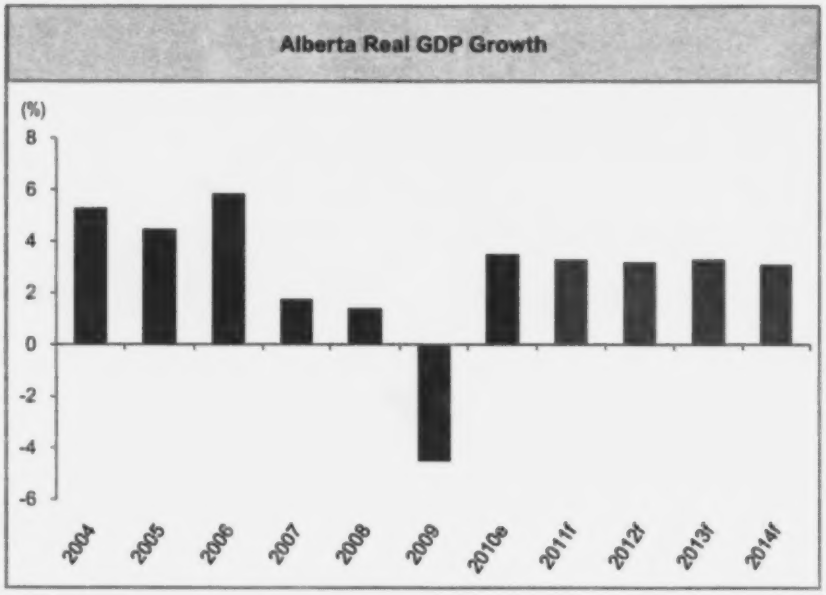
The 4.5% decline in real GDP in 2009 was Alberta's first recession since 1986 and the worst single year GDP decline on record.



Source: Statistics Canada.

Alberta Returns to Growth

Alberta's economy recovered more strongly in 2010 than initially expected, growing by an estimated 3.5%. Economic growth is forecast at 3.3% in 2011, due in large part to stronger activity in the oil sector. Economic growth is expected to remain just over 3% over the remainder of the forecast period, slower than the unsustainable pace of growth posted during the boom. Alberta's exposure to global economic developments, particularly in volatile oil markets, means that risks to the forecast remain high.



Sources: Statistics Canada and Alberta Finance and Enterprise.

ANNEX RISKS, SENSITIVITIES AND BENCHMARKING

RISKS TO THE ECONOMIC OUTLOOK

- The multi-speed nature of the global economy in 2011 and the lack of world fiscal and monetary capacity to deal with serious disruptions in most major developed economies pose the largest downside risk to Alberta's economic outlook.
- A key challenge for many developed economies, in particular the US, is how to withdraw the exceptional levels of monetary and fiscal stimulus without jeopardizing the sustainability of economic expansion now underway. Although the US decision to keep its massive fiscal and monetary stimulus in place reduces the downside risks int he short term, normalizing policy will be more challenging in the medium term.
- A rapid increase in interest rates and/or disruptions in financial and credit markets could threaten global trade and investment. The high capital intensity of Alberta's oil sands projects leaves Alberta particularly vulnerable to these shocks – as witnessed in 2009.
- Tensions in world currency markets could mean a sudden and swift appreciation in the Canadian dollar. Since Alberta's economy is currently being driven by US dollar denominated exports a rising Canadian dollar reduces revenues in this sector.
- Rapid increases in commodity prices, particularly oil, could choke off the economic recovery in the oil-importing developed world such as the US and Europe, particularly if monetary authorities attempt to reduce inflation by increasing interest rates. A sharp increase in interest rates would also add to the serious fiscal challenges faced by major developed countries.
- For Alberta, high oil prices could also lead to renewed labour shortages, driving up costs and undermining longer-term competitiveness. A sustained period of very high oil prices could also provide incentives for fuel switching, making renewable fuels economically viable alternatives to fossil-based fuels.

Sensitivities to Fiscal Year Assumptions, 2011–12[a]

(millions of dollars)

	Change	Net Impact (2011-12)
Oil Price (WTI US$/bbl)	-$1.00	-141
Natural Gas Price (Cdn$/GJ)	-10 Cents	-51
Exchange Rate (US¢/Cdn$)	+ 1 Cent	-154
Interest Rates	+1%	-212
Personal Income	-1%	-115

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12-month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Oil Price Benchmark

West Texas Intermediate (US$/bbl)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Jan/11)	85.11	90.97	96.26	103.26
Global Insight (Jan/11)	88.29	95.16	99.02	102.27
Centre for Spatial Economics (Jan/11)	86.08	87.71	91.66	95.83
Banks and Investment Dealers				
BMO Capital Markets (Jan/11)	90.00	92.00	n/a	n/a
Credit Suisse (Jan/11)	85.00	85.00	80.00	80.00
Deutsche Bank (Jan/11)	96.00	98.00	95.00	97.50
CIBC World Markets (Jan/11)	80.00	85.00	n/a	n/a
Goldman Sachs (Jan/11)	100.00	110.00	85.00	85.00
JP Morgan (Dec/10)	93.00	104.00	n/a	n/a
National Bank Financial (Jan/11)	90.00	88.00	80.00	80.00
Peters & Co. Limited (Jan/11)	91.41	92.91	91.72	91.72
RBC Capital Markets (Jan/11)	87.00	90.00	85.00	85.00
Scotiabank (Jan/11)	93.00	98.00	n/a	n/a
Toronto Dominion Bank (Jan/11)	86.25	95.00	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Jan/11)	93.42	97.50	n/a	n/a
GLJ Petroleum Consultants (Jan/11)	88.00	89.00	90.00	92.00
Sproule Associates Limited (Dec/10)	88.40	89.14	88.77	88.88
Confidential Forecasts Provided to Alberta Energy[a]				
Average	88.88	94.79	96.11	100.42
High	100.00	110.00	100.40	104.30
Low	80.00	85.00	80.00	80.00
Average of All Private Forecasts	**89.28**	**93.75**	**91.43**	**93.97**
Alberta Government (calendar year)	**88.06**	**94.66**	**95.36**	**99.21**

[a] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from CERI, PIRA, KBC, Petral, Purvin & Gertz, CERA, Wood Mackenzie and Ross Smith Energy. The annual figures presented here are the average forecast prices from these sources. High/ Low forecasts may represent one of the confidential forecasts.

Includes forecasts finalized on or before January 28, 2011.

How Oil Price Forecasters Did in Budget 2010

West Texas Intermediate (US$/bbl)

Organization	How did they do in Budget 2010?
National Forecasting Agencies (3)	73.74
Banks and Investment Dealers (10)	79.56
Industry Analysts (3)	79.67
Confidential Forecasts (9)	75.85
Average	**77.54**
Alberta Government (calendar year)	**77.74**
Actual	**79.42**

Sources: Alberta Finance and Enterprise and Alberta Energy.

Both the Government of Alberta and the private sector slightly underestimated oil prices for 2010 by under 3%.

Natural Gas Price Benchmark

Henry Hub (US$/MMBTU)[a]

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Jan/11)	4.43	5.15	5.54	6.20
Global Insight (Jan/11)	3.97	4.89	5.40	5.29
Centre for Spatial Economics (Jan/11)	4.37	4.52	4.73	4.88
Banks and Investment Dealers				
BMO Capital Markets (Jan/11)	4.50	5.00	n/a	n/a
Credit Suisse (Jan/11)	5.25	6.00	6.50	6.50
Deutsche Bank (Jan/11)	4.31	5.25	5.50	5.75
CIBC World Markets (Jan/11)	4.75	5.50	n/a	n/a
JP Morgan (Dec/10)	4.34	5.40	n/a	n/a
National Bank Financial (Jan/11)	4.75	5.00	5.75	5.75
Peters & Co. Limited (Jan/11)	4.58	5.03	5.46	5.46
RBC Capital Markets (Jan/11)	4.50	5.50	6.00	6.00
Scotiabank (Jan/11)	4.40	4.75	n/a	n/a
Toronto Dominion Bank (Jan/11)	4.23	5.00	n/a	n/a
Industry Analysts				
U.S. Energy Information Administration (Jan/11)	4.14	4.64	n/a	n/a
GLJ Petroleum Consultants (Jan/11)	4.50	5.15	5.75	6.25
Sproule Associates Limited (Dec/10)	4.44	5.01	5.32	6.80
Confidential Forecasts Provided to Alberta Energy[b]				
Average	4.12	4.51	5.63	6.07
High	5.25	6.00	6.78	7.79
Low	3.94	3.47	4.73	4.88
Average of All Private Forecasts	4.40	4.99	5.60	5.93
Alberta Government (calendar year)	**4.22**	**4.67**	**5.80**	**6.34**

[a] The natural gas price is the US price of gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. The Alberta Government forecast in the table above is the Alberta Reference Price (used in natural gas royalty calculations) adjusted for the exchange rate and transportation costs to be equivalent to the price of Alberta natural gas at Henry Hub Louisiana.

[b] The Alberta Department of Energy also surveys, on a confidential basis, private sector forecasts from PIRA, Petral, CERA and Wood McKenzie. The annual figures presented here are the average forecast prices from these sources. High/ Low forecasts may represent one of the confidential forecasts.

Includes forecasts finalized on or before January 28, 2011.

Both the Government of Alberta and the private sector overestimated natural gas prices for 2010, by 7% and 17% respectively.

How Natural Gas Price Forecasters Did in Budget 2010

Henry Hub (US$/MMBTU)

Organization	How did they do in Budget 2010?
National Forecasting Agencies (3)	4.90
Banks and Investment Dealers (9)	5.63
Industry Analysts (3)	5.69
Confidential Forecasts (4)	4.49
Average	**5.29**
Alberta Government (calendar year)	**4.71**
Actual	**4.39**

Sources: Alberta Finance and Enterprise and Alberta Energy.

Canadian Short-Term Interest Rate Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Jan/11)	1.60	4.00	4.60	4.60
Global Insight (Jan/11)	1.28	2.82	3.87	4.62
Centre for Spatial Economics (Jan/11)	1.70	3.10	3.50	3.10
Banks				
BMO Capital Markets (Jan/11)	1.37	3.06	n/a	n/a
CIBC World Markets (Jan/11)	1.44	n/a	n/a	n/a
RBC Royal Bank (Jan/11)	2.05	3.60	n/a	n/a
Scotiabank (Jan/11)	1.29	2.28	n/a	n/a
Toronto Dominion Bank (Dec/10)	1.39	2.65	n/a	n/a
Laurentian Bank (Jan/11)	1.13	n/a	n/a	n/a
High	2.05	4.00	4.60	4.62
Low	1.13	2.28	3.50	3.10
Average of All Private Forecasts	**1.47**	**3.07**	**3.99**	**4.11**
Alberta Government (calendar year)	**1.45**	**2.75**	**3.65**	**3.75**

Includes forecasts finalized on or before January 28, 2011.

Canadian Long-Term Interest Rate Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Jan/11)	3.30	4.10	4.50	4.70
Global Insight (Jan/11)	3.43	3.68	4.78	4.92
Centre for Spatial Economics (Jan/11)	4.30	4.20	3.80	4.00
Banks				
BMO Capital Markets (Jan/11)	3.40	4.04	n/a	n/a
CIBC World Markets (Jan/11)	3.50	n/a	n/a	n/a
RBC Royal Bank (Jan/11)	3.80	4.15	n/a	n/a
Scotiabank (Jan/11)	3.34	3.76	n/a	n/a
Toronto Dominion Bank (Dec/10)	3.70	4.18	n/a	n/a
Laurentian Bank (Jan/11)	3.23	n/a	n/a	n/a
High	4.30	4.20	4.78	4.92
Low	3.23	3.68	3.80	4.00
Average of All Private Forecasts	3.55	4.01	4.36	4.54
Alberta Government (calendar year)	**3.40**	**4.15**	**4.70**	**4.75**

Includes forecasts finalized on or before January 28, 2011.

Canada/United States Exchange Rate Benchmark

(US¢/Cdn$)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Jan/11)	100.1	99.4	99.5	100.2
Global Insight (Jan/11)	99.4	95.8	94.0	92.1
Centre for Spatial Economics (Jan/11)	96.9	96.1	94.4	91.9
Banks				
BMO Capital Markets (Jan/11)	101.4	101.2	n/a	n/a
CIBC World Markets (Jan/11)	97.3	n/a	n/a	n/a
RBC Royal Bank (Jan/11)	100.0	99.0	n/a	n/a
Scotiabank (Jan/11)	101.8	105.0	n/a	n/a
Toronto Dominion Bank (Dec/10)	93.3	95.5	n/a	n/a
Laurentian Bank (Jan/11)	99.4	n/a	n/a	n/a
High	101.8	105.0	99.5	100.2
Low	93.3	95.5	94.0	91.9
Average of All Private Forecasts	**98.8**	**98.9**	**96.0**	**94.7**
Alberta Government (calendar year)	**98.8**	**98.0**	**98.0**	**98.0**

Includes forecasts finalized on or before January 28, 2011.

Alberta Real Gross Domestic Product Benchmark

(per cent change)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Nov/10)	2.8	4.1	3.6	3.5
Global Insight (Jan/11)	3.3	3.5	3.3	3.3
Centre for Spatial Economics (Jan/11)	4.0	2.8	1.9	1.7
Banks				
BMO Capital Markets (Jan/11)	3.5	3.4	n/a	n/a
CIBC World Markets (Jan/11)	3.3	3.7	n/a	n/a
RBC Royal Bank (Jan/11)	4.3	3.8	n/a	n/a
Scotiabank (Jan/11)	3.5	3.3	n/a	n/a
Toronto Dominion Bank (Dec/10)	3.6	3.4	n/a	n/a
Laurentian Bank (Nov/10)	2.8	3.0	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/10)	3.3	n/a	n/a	n/a
High	4.3	4.1	3.6	3.5
Low	2.8	2.8	1.9	1.7
Average of All Private Forecasts	**3.4**	**3.4**	**2.9**	**2.8**
Alberta Government (calendar year)	**3.3**	**3.2**	**3.3**	**3.1**

Includes forecasts finalized on or before January 28, 2011.

Alberta Personal Income Benchmark

(per cent change)

Organization	2011	2012	2013	2014
Conference Board of Canada (Nov/10)	5.3	6.5	5.7	5.4
Global Insight (Jan/11)	5.1	6.2	6.1	5.8
Centre for Spatial Economics (Jan/11)	3.6	3.3	2.1	1.9
Toronto Dominion Bank (Dec/10)	4.5	5.1	n/a	n/a
High	5.3	6.5	6.1	5.8
Low	3.6	3.3	2.1	1.9
Average of All Private Forecasts	4.6	5.3	4.6	4.4
Alberta Government (calendar year)	**5.9**	**6.3**	**6.6**	**6.4**

Note: Total personal income is used as opposed to per capita personal income.

Includes forecasts finalized on or before January 28, 2011.

Alberta Corporate Profits Benchmark

(per cent change)

Organization	2011	2012	2013	2014
Conference Board of Canada (Nov/10)	-0.1	5.7	8.0	5.7
Global Insight (Jan/11)	15.6	8.7	5.6	8.6
Centre for Spatial Economics (Jan/11)	45.9	13.2	11.0	9.4
Toronto Dominion Bank (Dec/10)	9.2	6.8	n/a	n/a
High	45.9	13.2	11.0	9.4
Low	-0.1	5.7	5.6	5.7
Average of All Private Forecasts	17.6	8.6	8.2	7.9
Alberta Government (calendar year)	**10.0**	**16.6**	**7.2**	**8.5**

Includes forecasts finalized on or before January 28, 2011.

Alberta Housing Starts Benchmark

(thousands)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Nov/10)	27.3	29.3	30.5	30.5
Global Insight (Jan/11)	25.5	26.4	25.2	25.2
Centre for Spatial Economics (Jan/11)	30.8	32.3	30.2	26.2
Banks				
BMO Capital Markets (Jan/11)	27.0	27.5	n/a	n/a
CIBC World Markets (Sep/10)	26.0	31.0	n/a	n/a
RBC Royal Bank (Jan/11)	28.7	33.3	n/a	n/a
Scotiabank (Jan/11)	26.0	28.0	n/a	n/a
Toronto Dominion Bank (Dec/10)	23.2	25.0	n/a	n/a
Laurentian Bank (Nov/10)	28.5	30.0	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/10)	28.0	n/a	n/a	n/a
High	30.8	33.3	30.5	30.5
Low	23.2	25.0	25.2	25.2
Average of All Private Forecasts	27.1	29.2	28.6	27.3
Alberta Government (calendar year)	**26.2**	**28.4**	**29.0**	**29.4**

Includes forecasts finalized on or before January 28, 2011.

Alberta Employment Benchmark

(per cent change)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Nov/10)	3.0	3.2	1.9	2.1
Global Insight (Jan/11)	1.9	1.8	1.4	1.5
Centre for Spatial Economics (Jan/11)	2.3	1.7	1.3	1.3
Banks				
BMO Capital Markets (Jan/11)	1.5	1.5	n/a	n/a
CIBC World Markets (Sep/10)	2.0	2.3	n/a	n/a
RBC Royal Bank (Jan/11)	2.2	2.5	n/a	n/a
Scotiabank (Jan/11)	2.2	2.3	n/a	n/a
Toronto Dominion Bank (Dec/10)	2.3	2.0	n/a	n/a
Laurentian Bank (Nov/10)	1.9	2.0	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/10)	1.9	n/a	n/a	n/a
High	3.0	3.2	1.9	2.1
Low	1.5	1.5	1.3	1.3
Average of All Private Forecasts	**2.1**	**2.1**	**1.5**	**1.6**
Alberta Government (calendar year)	**2.0**	**2.0**	**1.8**	**1.7**

Includes forecasts finalized on or before January 28, 2011.

Alberta Unemployment Rate Benchmark

(per cent)

Organization	2011	2012	2013	2014
National Forecasting Agencies				
Conference Board of Canada (Nov/10)	6.3	5.3	5.0	4.5
Global Insight (Jan/11)	6.2	6.0	5.6	5.3
Centre for Spatial Economics (Jan/11)	6.2	6.1	6.0	5.6
Banks				
BMO Capital Markets (Jan/11)	5.5	5.3	n/a	n/a
CIBC World Markets (Sep/10)	6.4	6.1	n/a	n/a
RBC Royal Bank (Jan/11)	5.6	5.3	n/a	n/a
Scotiabank (Jan/11)	5.9	5.4	n/a	n/a
Toronto Dominion Bank (Dec/10)	5.9	5.3	n/a	n/a
Laurentian Bank (Nov/10)	6.4	6.3	n/a	n/a
Other				
Canada Mortgage and Housing Corporation (Nov/10)	6.2	n/a	n/a	n/a
High	6.4	6.3	6.0	5.6
Low	5.5	5.3	5.0	4.5
Average of All Private Forecasts	**6.1**	**5.7**	**5.5**	**5.1**
Alberta Government (calendar year)	**5.5**	**5.0**	**4.8**	**4.5**

Includes forecasts finalized on or before January 28, 2011.

TAX PLAN

Budget 2011

Building **a better Alberta**

TAX PLAN

Budget 2011

Building **a better Alberta**

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TAX PLAN

HIGHLIGHTS

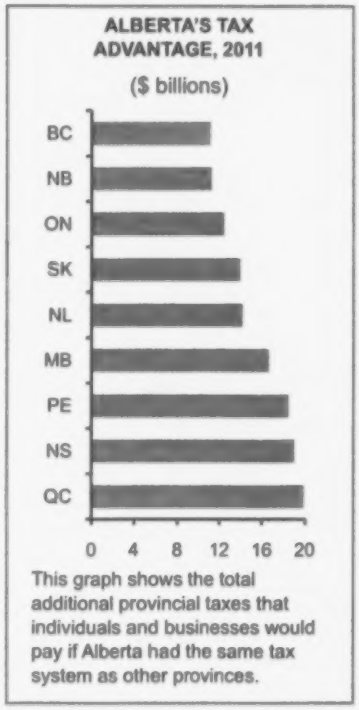
- Personal income tax credits will increase by 0.9 percent to offset inflation.
- Education property tax rates will be reduced by nearly 8 percent.
- Tax Exempt Fuel Use rebates, including the Prescribed Rebate Off-road Percentages program, will be eliminated. The marked fuel (tax excluded) component of TEFU, the Alberta Farm Fuel Benefit, and the Alberta Farm Fuel Distribution Allowance are not affected by this change.

INTRODUCTION

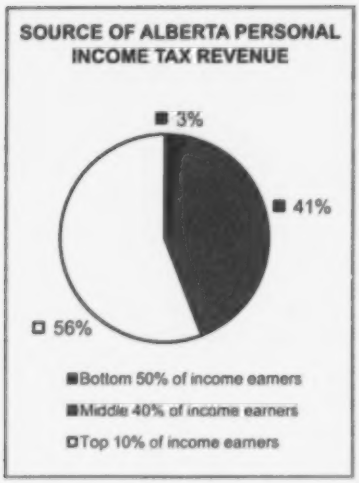
With this budget, Albertans will continue to benefit from one of the most competitive tax systems in North America. Alberta's tax advantage is the result of low personal income taxes, low corporate income taxes, the lowest fuel taxes among provinces, no capital tax, no payroll tax, and no sales tax. If Alberta had any other provincial tax system, Albertans and Alberta businesses would pay at least $11 billion more in taxes each year.

To support the economic recovery, the Government of Alberta committed not to impose any new tax or increase existing taxes. However, the Government does review all taxes and associated programs on a regular basis to ensure they are operating as intended and continue to reflect appropriate government policy. To refocus the Tax Exempt Fuel Use (TEFU) program, Alberta will eliminate the two rebate components of the TEFU program for fuel used in licensed vehicles.

Education property tax rates will continue to be reduced. Personal income tax credits will increase by 0.9 percent to offset inflation.



This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same tax system as other provinces.



PERSONAL TAXES

INDEXATION

The personal income tax system has been indexed to inflation since the province moved to a single rate personal income tax in 2001. This ensures that Alberta's tax credits keep pace with inflation and are not eroded over time. In 2011, credit amounts will increase 0.9 percent. This means the basic personal and spousal amounts will rise from $16,825 in 2010 to $16,977 in 2011, the highest in Canada.

In the ten years since moving to a single rate tax system, Alberta's credit amounts have been increased by about 30 percent to offset inflation. This has ensured that the real amount of tax being paid by Albertans has only risen when real wages have risen.

The Alberta Family Employment Tax Credit is also indexed to inflation. Beginning in July 2011, payments will rise to $702 for one child, $1,341 for two children, $1,724 for three children, and $1,852 for four or more children. The income level at which the credit starts to phase out will rise to $34,280.

Alberta Non-Refundable Tax Credit Block
(dollars)

	2010		2011	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	16,825	1,683	16,977	1,698
Spousal amount	16,825	1,683	16,977	1,698
Eligible dependant amount	16,825	1,683	16,977	1,698
Age amount	4,689	469	4,731	473
Infirm dependant amount	9,740	974	9,827	983
CPP contributions	2,163	216	2,218	222
EI premiums	747	75	787	79
Pension income amount	1,296	130	1,307	131
Disability amount	12,979	1,298	13,095	1,310
Disability supplement	9,740	974	9,827	983
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	11,507	1,151	11,611	1,161
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	11,507	1,151	11,611	1,161
Caregiver amount	9,739	974	9,827	983
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first $200	200	20	200	20
- over $200	75% of income	Variable	75% of income	Variable

In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over $200, the credit rate is 21%.

BUYER BEWARE: CHARITABLE DONATIONS SCHEMES

Albertans have a history of generosity. Over the years, we have supported local, national, and international charitable organizations with donations of time and money. To reflect these values, Alberta enhanced the charitable donations tax credit in 2007, which effectively lowered the after-tax cost of giving. Combined with the federal tax credit, Albertans now receive 50 cents in tax credits for every dollar donated over the $200 threshold. This is the most generous tax treatment for charitable donations in the country.

While the overwhelming majority of charitable donations are well intentioned and directed at legitimate charities, some Albertans are falling victim to illegal charitable donation "programs" or "tax planning arrangements". They are marketed as a way for donors to get more back as a tax refund than they initially give (e.g., participants receive a charitable donation receipt that is more than double their cash donation).

These programs contravene federal and provincial income tax legislation and participants should be aware that once discovered, the Canada Revenue Agency will disallow the charitable donations credit and require individuals to pay unpaid taxes, interest, and penalties. This is in addition to the loss of the original donation. In the end, participants are worse off than if they had avoided the scheme altogether.

Participating in these schemes can be very risky. Taxpayers would benefit from considering all the risks and seeking independent professional financial and/or legal advice.

If it sounds too good to be true, it probably is.

FUEL TAXES

TAX EXEMPT FUEL USE

Effective midnight tonight, the Tax Exempt Fuel Use (TEFU) rebate for licensed vehicles, including Prescribed Rebate Off-road Percentages (PROP), will be eliminated. The marked fuel (tax excluded) component of TEFU, the Alberta Farm Fuel Benefit, and the Alberta Farm Fuel Distribution Allowance are not affected by this change.

Elimination of the TEFU rebate, including PROP, will focus the program on unlicensed vehicles, machinery, and equipment. This will provide more equitable treatment to taxpayers, reduce abuse, and reduce costs for government, while still providing tax-free marked fuel to eligible users. Overall, this change will better align the fuel tax with Alberta's low rate, broad based approach to taxation.

The TEFU program comprises several components that exempt industries and municipalities from Alberta's fuel tax when fuel is used for qualifying off-road purposes. It was introduced in 1987 alongside the reintroduction of the fuel tax. At the time, the outlook for the primary resource industries (oil and gas, forestry, and mining) was particularly weak and the TEFU program was introduced as a way to protect them from the impact of reintroducing the tax.

The program originally had two components, marked fuel and rebates. Eligible consumers could buy tax-exempt fuel (marked fuel) from registered exempt-sale vendors to be used in unlicensed vehicles, machinery, and equipment. Rebates were provided to consumers who used tax-included fuel in licensed vehicles for qualifying off-road purposes. The majority of program benefits are delivered through marked fuel.

The TEFU rebate has suffered from program creep, as it expanded over the years to cover more and more activities. Proponents argued for extension of TEFU to their activities for fairness reasons (their activities were similar to ones that were eligible under TEFU), or because their activities faced a competitive disadvantage compared to ones eligible for the tax exemption. As activities were added to the TEFU program for these reasons, it created new fairness or competitiveness issues for those just outside the program.

The TEFU rebate is expensive to administer, creates a compliance burden for applicants and is subject to abuse. Claimants have to demonstrate that fuel consumed in licensed vehicles was used for eligible off-road purposes, which requires among other things, tracking hours and determining fuel consumption rates for off-road activities. Government has to verify that fuel was indeed used for eligible purposes, which can be an onerous process.

To simplify administration of the rebates, reduce abuse and lessen the compliance burden for certain groups of applicants, the government introduced PROP in 2005. For those eligible, PROP has simplified the rebate process.

Rebates under PROP are calculated by applying set percentages to fuel consumed in eligible vehicles for off-road activities. PROP rates vary across sectors and activities.

While PROP did simplify the TEFU rebate process for some filers, it is still more expensive to administer than marked fuel and did not completely eliminate abuse. Tracking fuel consumed in eligible vehicles for eligible off-road activities continues to be required. Furthermore, PROP did not address the equity and competitiveness concerns for those industries not eligible for TEFU rebates.

The elimination of the two rebate programs is expected to reduce the cost of the TEFU program by $65 million in 2011-12. This will be reflected in higher fuel tax revenue.

The refocused TEFU program will continue to be very generous and remain competitive with similar programs offered in neighbouring provinces. In 2009-10, the marked fuel program provided benefits worth $160 million.

CORPORATE TAXES

TAXATION OF CORPORATE GROUPS

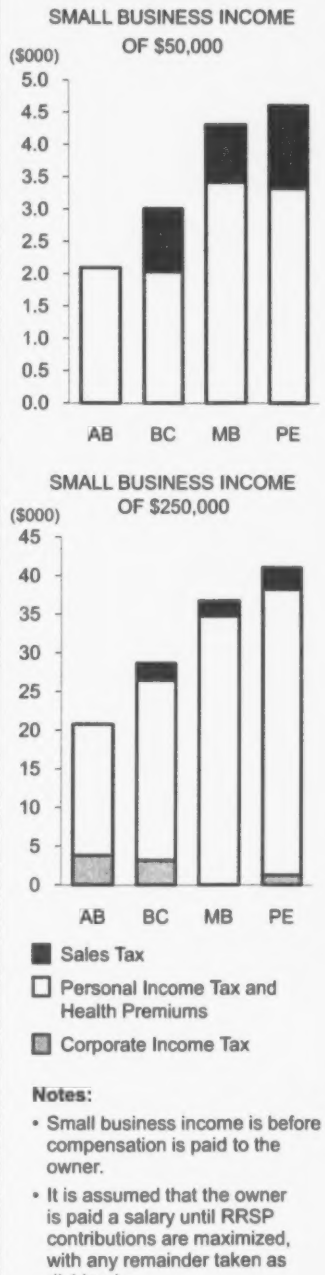
In November 2010, Finance Canada launched public consultations on the taxation of corporate groups to examine the utilization of losses within corporate groups and options for a new system of group taxation.

Alberta recognizes the policy concerns regarding the taxation of corporate groups and is generally supportive of changes that will improve the efficiency of the tax system and enhance Canada's international competitiveness. Alberta's view is that any change to the taxation of corporate groups needs to produce a fair distribution of corporate income tax revenue among the provinces.

TAX COMPETITIVENESS FOR SMALL BUSINESSES

Alberta small business owners continue to pay the lowest overall taxes when compared to small business owners elsewhere in Canada. While small business corporations are subject to lower corporate income tax rates in British Columbia, Manitoba, and Prince Edward Island, small business owners in Alberta are still better off. Alberta does not levy a sales tax, payroll tax, or health premiums and has low fuel taxes. In addition to this, Alberta has low personal income taxes that apply to profits that are taken out of small businesses.

PROVINCIAL TAXES PAID BY SMALL BUSINESS OWNERS, 2011



Notes:

- Small business income is before compensation is paid to the owner.
- It is assumed that the owner is paid a salary until RRSP contributions are maximized, with any remainder taken as dividends.

ENERGY INDUSTRY FORUM

In 2010, the Government of Alberta established a technical working group with representatives of the energy sector as part of the government's broader review of the upstream oil and gas fiscal regime. This was one of the next steps identified in *Energizing Investment: A Framework to Improve Alberta's Natural Gas and Conventional Oil Competitiveness.* The intent of the forum is to provide a venue for industry representatives and officials to discuss Alberta's tax competitiveness and explore areas for improvement.

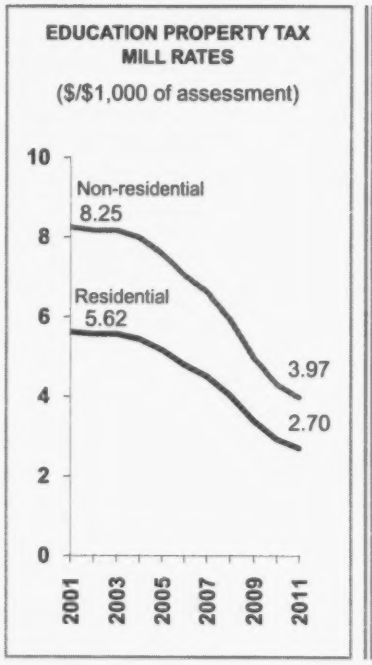
The three meetings held by the working group during 2010 have helped to inform policymakers of the issues facing the energy industry. The government intends to continue meeting with the working group in order to support a shared and ongoing understanding of the issues and concerns held by the energy sector.

PROPERTY TAXES

REVIEW OF THE *MUNICIPAL GOVERNMENT ACT*

Municipal Affairs has announced that it will be conducting a phased, comprehensive review of the *Municipal Government Act.* This Act provides the legislative framework for Alberta's system of municipal government, including the property tax system. The review, currently in its planning stage, will take place over a two to five year period and will include public consultations.

EDUCATION PROPERTY TAX



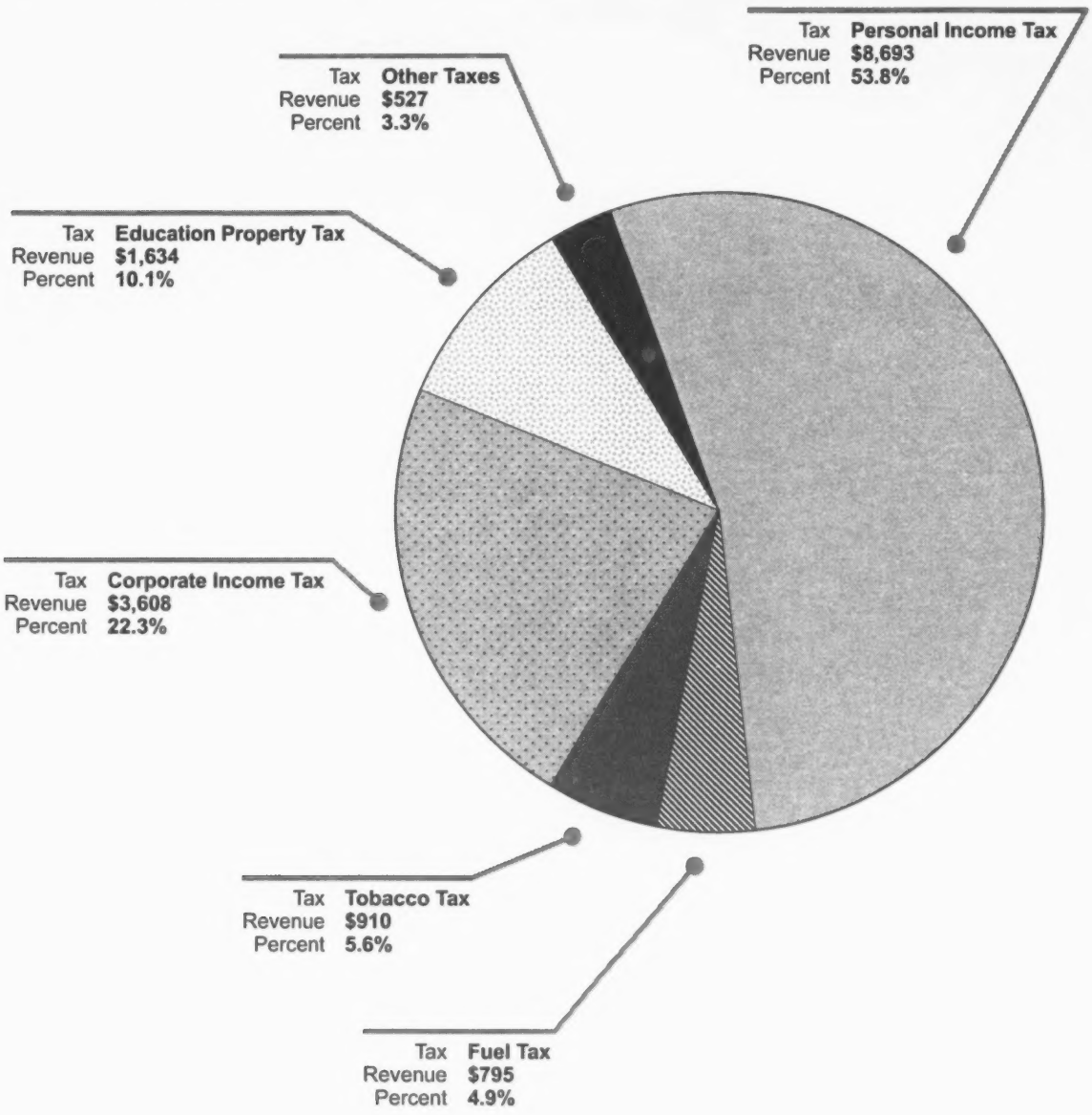
Property tax in Alberta is made up of two components, the municipal property tax and the provincial education property tax. The education property tax is a stable source of revenue used to support basic education funding. All Albertans contribute to the cost of funding basic education, as we all benefit from an informed and educated society and workforce. In 2011-12, the tax will fund about one third of Alberta's basic education system, excluding infrastructure.

In 2011-12, education property tax mill rates are being reduced by almost 8 percent. The residential/farm property rate will fall from $2.93 to $2.70 per $1,000 of equalized assessment and the non-residential rate will fall from $4.31 to $3.97 per $1,000 of equalized assessment. Education property tax mill rates have either been frozen or reduced in each of the last 18 years and have declined by more than 50 percent over the last 10 years.

TABLES AND CHARTS

2011–12 Tax Revenue

(millions of dollars)



Total Tax Revenue: $16,167 million

2011–12 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax	**8,693**		
Single rate tax	8,811	10.0%	881.1 per point
Family Employment Tax Credit	(118)		n/a
2. Corporate Income Tax	**3,608**		
General	3,308	10.0%	330.8 per point
Small business	300	3.0%	100.0 per point
3. Education Property Tax[a]	**1,634**		
Residential/farm property	974	$2.70 / $1,000 of assessment	360.7 per mill
Non-residential property	660	$3.97 / $1,000 of assessment	166.2 per mill
4. Tobacco Tax	**910**	$40/carton	22.8 per $/carton
5. Fuel Tax	**795**		
Gasoline and diesel	773	9.0 ¢/litre	85.9 per ¢/litre
Propane	3	6.5 ¢/litre	0.5 per ¢/litre
Aviation	14	1.5 ¢/litre	9.3 per ¢/litre
Railway	5	1.5 ¢/litre	3.3 per ¢/litre
6. Freehold Mineral Rights Tax	**142**		n/a
7. Insurance Taxes	**322**		
Life, accident, sickness	89	2% of premium	44.5 per point
Other	233	3% of premium	77.7 per point
8. Tourism Levy	**63**	4.0%	15.8 per point

[a] Does not include revenue of approximately $202 million raised for opted-out school boards.

Interprovincial Tax and Health Care Premium Comparison, 2011

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of $30,000 – One Income Family with Two Children										
Provincial income tax	**(1,335)**	295	(624)	265	(1,480)	(4,587)	246	579	1,064	377
Provincial sales tax	**-**	208	609	966	412	1,330	1,238	1,372	1,348	1,360
Health care premium	**-**	-	-	-	225	200	-	-	-	-
Payroll tax	**-**	-	-	236	266	612	-	-	-	97
Fuel tax	**270**	435	450	345	441	486	321	465	474	495
Total	**(1,065)**	938	435	1,812	(136)	(1,959)	1,805	2,416	2,886	2,329
Alberta Advantage		2,003	1,500	2,877	929	(894)	2,870	3,481	3,951	3,394
Employment Income of $75,000 – Two Income Family with Two Children										
Provincial income tax	**2,578**	1,907	2,587	4,512	1,656	2,468	3,947	4,472	4,717	3,786
Provincial sales tax	**-**	1,661	982	1,544	2,010	2,309	1,999	2,217	2,200	2,212
Health care premium	**-**	1,089	-	-	563	200	-	-	-	-
Payroll tax	**-**	-	-	591	665	1,531	-	-	-	243
Fuel tax	**405**	653	675	518	662	729	482	698	711	743
Total	**2,983**	5,310	4,244	7,165	5,556	7,237	6,428	7,387	7,628	6,984
Alberta Advantage		2,327	1,261	4,182	2,573	4,254	3,445	4,404	4,645	4,001
Employment Income of $125,000 – Two Income Family with Two Children										
Provincial income tax	**6,824**	4,997	7,688	9,994	5,580	10,511	8,687	10,654	10,301	8,778
Provincial sales tax	**-**	2,539	1,462	2,315	3,020	3,434	3,014	3,293	3,297	3,321
Health care premium	**-**	1,089	-	-	788	200	-	-	-	-
Payroll tax	**-**	-	-	985	1,108	2,552	-	-	-	405
Fuel tax	**405**	653	675	518	662	729	482	698	711	743
Total	**7,229**	9,278	9,825	13,812	11,158	17,426	12,183	14,645	14,309	13,247
Alberta Advantage		2,049	2,596	6,583	3,929	10,197	4,954	7,416	7,080	6,018

Calculations are based on other provinces' tax parameters known as of February 10, 2011.

Assumptions:

* Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
* Health care premiums are net of premium subsidies.
* In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care premiums.
* Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
* RRSP/RPP contributions of $1,000, $9,700 and $16,800 are included in the calculation of personal income tax for the $30,000, $75,000 and $125,000 families, respectively.
* For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
* The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2011

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
- lowest rate	(%)	10.00	5.06	11.00	10.80	5.05	16.00[a]	9.10	8.79	9.80	7.70
- highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	12.70	21.00	16.70	13.30
Surtax	(%)	-	-	-	-	20/36	-	-	-	10.0	-
Combined federal/provincial top marginal rate[b]	(%)	39.00	43.70	44.00	46.40	46.41	48.22	41.70	50.00	47.37	42.30
Personal amount	($)	16,977	11,088	13,535	8,134	9,104	10,640	8,953	8,231	7,708	7,989
Spousal amount	($)	16,977	9,730	13,535	8,134	7,730	10,640	7,602	6,989	6,546	6,528
Corporate Income Tax											
General rate	(%)	10.0	10.0	12.0	12.0	11.5[c]	11.9	10.0[d]	16.0	16.0	14.0
M&P rate	(%)	10.0	10.0	10.0	12.0	10.0	11.9	10.0	16.0	16.0	5.0
Small business											
- rate	(%)	3.0	2.5	4.5	0.0	4.5	8.0	5.0	4.5	1.0	4.0
- threshold	($000)	500	500	500	400	500	500	500	400	500	500
Capital Tax											
General	(max.%)	-	-	-	-	-	-	-	0.05[e]	-	-
Financial institutions	(max.%)	-	-	3.25	3.0	-	0.25[f]	3.0	4.0	5.0	4.0
Sales Tax	(%)	-	7.0	5.0	7.0	8.0	8.5[g]	8.0	10.0	10.0[g]	8.0
Gasoline Tax	(¢/litre)	9.0	20.1[h, i]	15.0	11.5	14.7[i]	17.2[h, i]	10.7[i]	15.5[i]	15.8[j]	16.5[i]
Tobacco Tax	($/carton)	40.00	37.00[i]	42.00[i]	41.00[i]	24.70[i]	21.20	23.50[i]	43.04[i]	44.90	38.00[i]
Payroll Tax	(max.%)	-	-	-	2.15	1.95	4.26[k]	-	-	-	2.00

Rates for other provinces known as of February 10, 2011.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax because of the province's decision to opt out of federal cash transfers in support of provincial programs.

[b] The top federal personal income tax rate is 29%, except in Quebec where the top federal rate is 24.22% because of the federal abatement.

[c] Ontario's corporate income tax rate will be reduced from 12% to 11.5% on July 1, 2011.

[d] New Brunswick's corporate income tax rate will be reduced from 11% to 10% on July 1, 2011.

[e] Nova Scotia will reduce its Large Corporations Tax from 0.10% to 0.05% on July 1, 2011.

[f] Quebec levies a 0.25% compensation tax on the paid up capital of financial institutions.

[g] These provinces apply their sales tax on the retail price of the goods and services inclusive of the Goods and Services Tax (GST).

[h] An additional 9 ¢/litre is imposed in the greater Vancouver area, 3.5 ¢/litre in Victoria and 3 ¢/litre in Montreal. The British Columbia rate includes the carbon tax on gasoline, which is 4.45 ¢/litre until June 30, 2011, after which it will rise to 5.56 ¢/litre. Quebec will increase its fuel tax from 16.2 ¢/litre to 17.2 ¢/litre on April 1, 2011.

[i] These provinces apply their retail sales tax or the provincial portion of their harmonized sales tax on the retail price of the good inclusive of the particular excise tax. In British Columbia, gasoline is subject to the Harmonized Sales Tax (HST), but receives an immediate point of sale rebate for the provincial portion of the tax.

[j] This rate is based on a 7.1 ¢/litre base rate and 10.7% of the average wholesale price. The rate is calculated on a monthly basis with the total tax rate capped at 15.8 ¢/litre.

[k] Quebec also levies a compensation tax of up to 3.9% on salaries and wages paid by financial institutions that is not included in this rate.

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Building **a better Alberta**

RESPONSE TO THE AUDITOR GENERAL

Budget 2011

Building **a better Alberta**

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RESPONSE TO THE AUDITOR GENERAL – OCTOBER 2010

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – October 2010* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
IT Governance, Strategic Planning and Project Management	
1. Athabasca University – Improve governance and oversight of information technology We recommend that Athabasca University continue to improve its IT governance by: • developing an integrated IT delivery plan that aligns with the University's IT strategic plan • requiring business cases for IT projects that include key project information such as objectives, costs-benefit assessments, risks and resource requirements to support the steering committees' and executive committee's decisions and ongoing project oversight • improving the coordination and communication between the IT steering committees in reviewing, approving and overseeing projects	**Accepted**. The University has initiated processes to update its IT Strategic Plan, craft high-level IT governance principles, develop and implement business case development standards for IT projects, and review the mandate and role of IT governance committees. Full implementation of these activities is expected within three years.
2. Athabasca University – Improve portfolio and project management processes We recommend that Athabasca University continue to improve its portfolio management and project management processes for IT projects by: • clarifying and communicating the mandate and authority of the project management office • setting project management and architectural standards, processes and methodologies, and training project managers on these • monitoring and enforcing project managers' adherence to these standards, processes and methodologies • tracking and managing project dependencies on scope, risks, budgets and resource requirements	**Accepted**. The University has initiated the process of defining and establishing the Project Management Office's mandate, authority, standards and performance measures. Project status reporting will also be improved and architectural standards will be developed. Full implementation of this recommendation is expected within three years.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Children and Youth Services	
Daycare and Day Home Regulatory Compliance Monitoring	
3. Child and Family Services Authorities – Improve follow-up processes	
We recommend that Child and Family Services Authorities improve systems for monitoring and enforcing child care program compliance with statutory requirements and standards by ensuring that all verbal warnings are adequately documented and resolved.	**Accepted**. The Department will continue to work with the Child and Family Services Authorities to develop and implement processes to ensure that all enforcement actions are documented and resolved in a timely manner. The Department will review the policy on verbal warnings to identify and implement any changes required to improve documentation and resolution by September 2011.
Advanced Education and Technology	
University of Calgary – Research Management	
4. University of Calgary – Improve human resource plans and system for cost planning to quantify and budget for indirect costs (Repeated)	
We again recommend that the University of Calgary improve its human resource plans and develop a system to quantify and budget for the indirect costs of research.	**Accepted**. The University will develop a method to estimate indirect costs with greater precision and use this in assessing the total cost of a proposed research project by March 2011. Management will also work closely with Human Resources to develop faculty workforce plans to address research at a functional level. Workforce plans will be incorporated into the institutional business plan for the 2011-12 business planning cycle.
5. University of Calgary – Define research management roles and responsibilities (Repeated)	
We again recommend that the University of Calgary define research management roles and responsibilities.	**Accepted**. The University will ensure that job descriptions for relevant positions incorporate approved roles and responsibilities developed by the Office of the Vice President (Research).

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
6. University of Calgary – Maintain current and comprehensive research policies (Repeated)	
We again recommend that the University of Calgary ensure all research policies are current and comprehensive. Specifically, the policies should identify who is responsible for monitoring compliance.	**Accepted**. The University will implement a process where the Research Development and Policy Committee and the Office of the Vice President (Research) review and update all research policies on a periodic basis. Additionally, policy compliance by researchers will be monitored through the use of a compliance monitoring tool. These initiatives will be developed during 2010-11.
Service Alberta	
Protecting Information Assets	
7. Web application controls (Repeated)	
We again recommend that Service Alberta, in conjunction with all ministries and through the Chief Information Officer Council, develop and implement well designed and effective controls to ensure all Government of Alberta web applications consistently meet all security standards and requirements.	**Accepted**. Through the Chief Information Officer Council and the Chief Information Security Officer, Service Alberta will continue working with ministries to review the most appropriate, effective and efficient mechanism to monitor the development and deployment of web applications in the shared Government of Alberta infrastructure. This issue will be framed within the overall fiscal context and risk profiles through coordination with ministries.
Treasury Board	
Assessing and Prioritizing Alberta's Infrastructure Needs	
8. Department – Deferred maintenance (Repeated)	
We again recommend that the Department of Treasury Board, in consultation with departments, develop objectives, timelines and targets for reducing deferred maintenance, and include information on deferred maintenance in the province's Capital Plan.	**Accepted**. The Department will coordinate the development of options for the government to consider addressing deferred maintenance and how deferred maintenance is reported. The issue will be framed within the overall fiscal context and requests for new capital.
9. Department – Maintaining assets over their life (Repeated)	
We again recommend that the Department of Treasury Board establish a process that enables public infrastructure assets to be properly maintained over their life.	**Accepted**. The Department of Treasury Board, with input from other departments, will develop options for the government to consider on addressing maintenance costs of public infrastructure. This issue will be framed within the overall fiscal context and the various pressures facing government.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education and Technology	
10. Athabasca University – Establish IT resumption capabilities	
We recommend that Athabasca University: • assess the risks and take the necessary steps to establish appropriate off-site disaster recovery facilities that include required computer infrastructure to provide continuity of critical IT systems • complete and test its existing disaster recovery plan to ensure continuous services are provided in the event of a disaster	**Accepted**. The University will define and document disaster recovery procedures for critical systems by December 2011. The University will also review and scope available second site options for critical recovery by March 2012 and will implement a critical system failover database by December 2012.
11. University of Calgary – Improve access to data and systems (Repeated)	
We again recommend that the University of Calgary improve controls in the PeopleSoft system by: • finalizing and implementing the security policy and the security design document • ensuring that user access privileges are consistent with both the user's business requirements and the security policy	**Accepted**. The Innovative Support Services (iS2) project encompasses improved PeopleSoft security, including a security design document and review of user access privileges to ensure they align with user business requirements. Roll-out is expected in the 2011-12 fiscal year.
Agriculture and Rural Development	
12. Agriculture Financial Services Corporation – Improve processes for conducting compliance audits	
We recommend Agriculture Financial Services Corporation improve its processes for conducting compliance audits and investigations by: • clearly defining the roles and responsibilities of the Program Cross Compliance and Investigations group • improving the coordination between PCCI and program areas	**Accepted**. Agriculture Financial Services Corporation is in the process of implementing governance and authorities documents to clarify the roles and responsibilities of the Program Cross Compliance and Investigations group and the business areas involved in compliance audits and investigations. The streamlined policy and procedures will be in place in the 2010-11 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Education	
13. Northland School Division No. 61 – Obtaining interest in land	
We recommend that Northland School Division No. 61 develop processes to ensure it obtains a valid legal interest in land before beginning construction of schools.	**Accepted**. On January 21, 2010, the Minister of Education appointed an Official Trustee in Northland School Division, in part to address the absence of a legal interest in a completed school. Subsequently, the Auditor General made this recommendation, which further supports the Minister's actions. The Department will meet with Northland's administrative staff to ensure processes to obtain title or leases for long term access to school sites before beginning construction are in place by March 2011.
14. Northland School Division No. 61 – Improving financial reporting	
We recommend that the Northland School Division No. 61 improve its financial reporting by: • preparing and presenting quarterly financial information to the Official Trustee • regularly reviewing and reconciling general ledger accounts • preparing year-end financial statements promptly	**Accepted**. On January 21, 2010, the Minister of Education appointed an Official Trustee in Northland School Division, in part to address concerns about the financial oversight provided by the Board of Trustees. Subsequently, the Auditor General made this recommendation, which further supports the Minister's actions. The Department will offer their expertise to Northland's administrative staff to ensure strong financial reporting processes are in place to provide reliable, periodic financial information to management and the Official Trustee.
Environment	
15. Department – Improve and document grant monitoring activities	
We recommend that the Department of Environment improve its monitoring of compliance with conditions in grant agreements and retain evidence of the review.	**Accepted**. The Department will review and update processes by March 2011. The implementation plan will include developing a grant monitoring checklist form for all active grants and processes to remind grant managers when reports are due.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance and Enterprise	
16. Department – Improve financial reporting processes We recommend that the Department of Finance and Enterprise improve its year-end financial reporting processes.	**Accepted.** The Department has engaged an external consultant to compare current processes against best practices. Year-end processes will continue to be refined and streamlined in the 2010-11 fiscal year.
17. Alberta Investment Management Corporation – Help clients meet financial reporting requirements We recommend that the Alberta Investment Management Corporation identify financial reporting requirements in its investment management agreements with clients. The Alberta Investment Management Corporation should meet with the clients to understand their financial reporting frameworks, their financial accounting requirements and the investment-related information they need to prepare financial statements.	**Accepted.** Alberta Investment Management Corporation is expanding its standardized client investment management agreement to include providing financial information that its clients require. This recommendation will be implemented in the last quarter of the 2010-11 fiscal year.
18. Alberta Investment Management Corporation – Improve controls over investment general ledger We recommend that the Alberta Investment Management Corporation implement additional control procedures so that the Corporation itself can ensure the completeness and accuracy of its Genvest investment general ledger.	**Accepted.** Alberta Investment Management Corporation's investment operations team is implementing additional control and reconciliation procedures and is recruiting additional staff to perform the tasks. This recommendation will be implemented by the second quarter of the 2011-12 fiscal year.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Health and Wellness	
19. Alberta Health Services – Financial operations transition plan We recommend that Alberta Health Services prepare and implement a formal transition plan for the organization's finance operations. The plan should include and integrate the following: • assessing the resources, timelines and critical path needed to consolidate the general ledger and sub-ledger systems • ensuring rigorous change management controls are applied before implementing application system changes • harmonizing financial reporting policies and processes across the organization • determining the adequate amount of human resources and skill levels required to implement the plan and then keep the processes operational	**Accepted.** Consolidating all major business systems onto a common platform is a key priority for Alberta Health Services. Work is underway to merge the diverse systems of 12 entities. The majority of the work will be completed by 2013.
20. Alberta Health Services – Funding agreements for capital projects We recommend that Alberta Health Services ensure that funding agreements are signed prior to commencement of construction of capital projects, and are formally amended when there are significant changes in the scope of a capital project.	**Accepted.** Alberta Health Services will ensure all agreements covering responsibility for operations and capital funding are signed prior to commencement of construction of capital projects, and are formally and promptly amended for any significant changes.
21. Alberta Health Services – Effectiveness of insurance reciprocal We recommend that Alberta Health Services assess the effectiveness of its arrangement with the Liability and Property Insurance Plan as a risk management tool, and assess the resulting accounting implications.	**Accepted.** Alberta Health Services (AHS) will complete an assessment of the effectiveness of the Liability and Property Insurance Plan (LPIP) as a risk management tool by January 2011. If required, AHS will make any changes to the way LPIP is reported for the 2010-11 fiscal year.
22. Alberta Health Services – Accounting for restricted contributions We recommend that Alberta Health Services implement consistent and efficient accounting processes for externally restricted contributions to assure the AHS Board that it is complying with the restrictions attached to those contributions.	**Accepted.** The harmonizing of Alberta Health Services' accounting processes for externally restricted contributions was implemented in the fall of 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
23. Alberta Health Services – Year-end financial reporting processes (Repeated) We again recommend that Alberta Health Services improve its year-end financial reporting processes by improving processes to identify and resolve key accounting risks and reporting issues on a timely basis.	**Accepted**. Alberta Health Services management has created a plan to improve its year-end financial reporting processes and resolve key accounting risks and reporting issues on a timely basis. The plan has been presented to the Board's Audit and Finance Committee and will form the framework to address this issue moving forward.
Justice and Attorney General	
24. Office of the Public Trustee – New vendor set-up We recommend that the Office of the Public Trustee improve controls for inputting new vendors in its Public Trustee Information System.	**Accepted**. The Office of the Public Trustee is in the process of developing validation policies, processes and procedures for new vendors. These new policies, processes and procedures will be implemented in the 2010-11 fiscal year.

RESPONSE TO THE AUDITOR GENERAL – APRIL 2010

The Auditor General reports twice a year on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's semiannual report titled *Report of the Auditor General of Alberta – April 2010* and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Cross Ministry	
Alberta Schools Alternative Procurement	
1. Challenging and Supporting Assumptions We recommend that the Departments of Treasury Board and Infrastructure improve processes, including sensitivity analysis, to challenge and support maintenance costs and risk valuations.	**Accepted**. The guidance to support maintenance costs and risk valuations will be incorporated into guidance documents during 2010-11 fiscal year.
2. Transparency We recommend that the Departments of Treasury Board and Infrastructure follow their own guidance to publish a Value for Money Report upon entering into a Public Private Partnership (P3) agreement.	**Accepted**. A template for the Value for Money report has been developed. A Value for Money report was issued for phase 1 of the Alberta Schools Alternative Procurement project and a Value for Money report for subsequent P3 projects will be issued within the timeframes stated in the updated guidance document that will be completed in 2010-11 fiscal year.
Employment and Immigration	
Occupational Health and Safety	
3. Promoting and enforcing compliance We recommend that the Department of Employment and Immigration enforce compliance with the *Occupational Health and Safety Act* by employers and workers who persistently fail to comply.	**Accepted**. The Department is working to strengthen compliance policies and procedures to ensure client files are updated to reflect accurate and most current information. It is anticipated that this will be completed by March 2011.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Environment	
Managing Alberta's Water Supply	
4. Backlog of Water Act applications We recommend that the Department of Environment minimize the backlog of outstanding applications for *Water Act* licences and approvals.	**Accepted.** The Department has assembled a team whose role is to quantify, research the causes of, and assess the implications of the backlog. In July 2010, the team implemented a strategy to reduce current backlog and minimize any future backlog. A significant decrease in backlog is expected to be accomplished by March 2011.
5. Assessing compliance with the Water Act We recommend that the Department of Environment ensure its controls provide adequate assurance that performance in the field by licence and approval holders as well as others complies with the *Water Act*.	**Accepted.** The Department will use education, prevention and enforcement to ensure compliance where noncompliance has been identified and will focus proactive efforts where assessments determine the risks to be greatest. This work commenced immediately and it is expected that a formal review of how *Water Act* resources are deployed will be completed by March 2011.
6. Wetland compensation We recommend that the Department of Environment formalize its wetland compensation relationships and control procedures.	**Accepted.** The Department is reviewing wetland compensation relationships and control procedures. Formalizing the wetland compensation and control relationships is dependent upon further developing the new wetland policy. It is anticipated that this work will be completed by March 2013.
7. WPAC grants and contracts We recommend that the Department of Environment strengthen its control of grants and contracts with Watershed Planning and Advisory Councils.	**Accepted.** The Department has begun strengthening the control of Watershed Planning and Advisory Council's grants and contracts by ensuring that the deliverables are well defined and that invoices are signed off only upon confirmation that deliverables have been provided.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Finance and Enterprise	
ATB: New Banking System Implementation	
8. Project management We recommend that Alberta Treasury Branches improve the management of its Core project by: • resolving pending business decisions, dealing with remaining change requests, and locking down the project's scope so that the project's design phase can be completed • developing a new project plan with a realistic schedule and budget to complete the project	**Accepted**. A new, highly experienced project director has been hired to lead a detailed recalibration of the project plan. A detailed plan has been developed outlining the specific activities required and the interdependencies among the various work streams. As part of that detailed plan, all outstanding business decisions and design elements have been completed. The new plan serves as a good control tool for ATB Financial's management as it provides detailed information about the amount of work required and the expected timelines.
9. Project management We recommend that Alberta Treasury Branches examine its existing project management controls and clearly identify, and put in place, the new controls necessary to minimize the risk that the project will not be completed within the revised timelines and budget or will not deliver the expected functionality.	**Accepted**. The recalibrated plan identifies five key milestones that must be met to ensure that the project is able to meet the target for completion. These milestones provide an early warning if the endpoint timeline may not be reached and enables ATB Financial to put remedial steps in place. ATB Financial's Strategic Steering Committee must approve the passing of the program through each of these milestones. The Board will also be advised on a timely basis of the progress at each of these milestones.
10. Project governance We recommend that Alberta Treasury Branches conduct reviews of the Core project at clearly identified checkpoints within the revised project plan to ensure the deliverables are accepted by the Core project's Strategic Steering Committee and there is clear agreement for the project to continue.	**Accepted**. The Board of Directors has been very involved in overseeing the re-planning of the Core project. Special Board meetings were held through December 2009 to February 2010 on the topic. ATB Financial has assigned members of its executive team to be directly involved in the Core project and members of ATB Financial's Strategic Steering Committee have taken direct responsibility for key aspects of the project. At the Board level, expanded reporting, particularly at each of the key milestones, will ensure that the Board is aware of progress and potential issues.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
11. Performance reporting	
To improve monitoring and oversight of the Core project, we recommend that Alberta Treasury Branches' management provide the Board of Directors with more information on: • project performance in relation to the revised schedule and budget • stage of completion of significant project deliverables (percent complete and percent of budget consumed) • explanations for variances between actual results and the revised project plan, and the actions taken to deal with the causes	**Accepted**. Earned Value Reporting will be implemented to show progress on the project deliverables and give management and the Board of Directors a more informed view. These reports will be provided to management, the Audit Committee and the Board of Directors on a regular basis.
Oversight of Financial Institutions	
12. Improving accountability	
We recommend that the Department of Finance and Enterprise clarify its business objectives for Alberta Treasury Branches, within their *Memorandum of Understanding*, in relation to the level of risk the Department expects Alberta Treasury Branches to take.	**Accepted**. The Department is working with ATB Financial to clarify, by December 2010, the objectives embodied in the term 'fair return' in an update to the new Mandate and Roles document.
13. Implementation plan for regulatory and supervisory frameworks	
We recommend that the Department of Finance and Enterprise develop an implementation plan for its approach to regulating and supervising regulated financial institutions.	**Accepted**. With the completed Framework Documents, which outline the Department's approach and methodology to regulate and supervise each of the regulated entities, the next step is to develop a plan to implement those Frameworks. A comprehensive implementation plan was completed and approved by the Alberta Superintendent of Financial Institutions for all of the regulated entities in August 2010.
14. Monitoring legislative compliance	
We recommend that the Department of Finance and Enterprise strengthen its processes to ensure identified legislative non-compliance matters are remediated.	**Accepted**. The Department will develop and document specific procedures to show timely and appropriate remedial action taken to address cases of legislative non-compliance. It is anticipated this work will be completed by December 2010.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Solicitor General and Public Security	
Oversight of Peace Officers	
15. Follow-up of compliance audit report recommendations	
We recommend that the Department of Solicitor General and Public Security improve its processes to monitor and ensure employers implement its compliance audit recommendations by: • developing, maintaining and monitoring a database of the implementation status of all audit recommendations • requiring timely written confirmation of compliance from employers • ensuring files on employers are properly maintained • taking necessary and timely action against non-compliant employers	**Accepted.** While recognizing that public safety is not at risk, the Department has made improvements to the programs' administrative systems and processes. Implementation of a dedicated IT system, along with enhancements to internal processes and practices, was completed in September 2010.
16. Monitoring employers' investigations of peace officers	
We recommend that the Department of Solicitor General and Public Security improve monitoring of employers' investigations of complaints made against peace officers by: • following current policy and best practices, including managerial approval of concluded files, and implementing proper filing procedures • providing written notification to an employer when closing a file • better maintaining its databases	**Accepted.** See response to recommendation 15.
Advanced Education and Technology	
17. Cross-Institution recommendations – Enterprise risk management	
We recommend that the Department of Advanced Education and Technology (through the Campus Alberta Strategic Directions Committee) work with post-secondary institutions to identify best practices and develop guidance for them to implement effective enterprise risk management systems.	**Accepted.** The Department is working with post-secondary institutions to further the development of best practices and guidelines for enterprise risk management systems to be used within the post-secondary system. The estimated implementation date is fall 2011.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
18. Grant MacEwan University – Improve and implement University policies	
We recommend that Grant MacEwan University improve its control environment by implementing or improving: • a code of conduct and ethics policy and a process for staff to acknowledge they will adhere to its policies • a process for staff to annually disclose potential conflicts of interest in writing so the University can manage them proactively • a safe disclosure policy and procedure to allow staff to report incidents of suspected or actual frauds or irregularities • a responsibility statement in its annual report to acknowledge management's role in maintaining an effective control environment	**Accepted**. Grant MacEwan University plans to complete a review of all of its administrative policies by the end of December 2010.
19. Grant MacEwan University – Implement a quality assurance program for enterprise resource planning project	
We recommend that Grant MacEwan University develop and implement a quality assurance program for its enterprise resource planning renewal project.	**Accepted**. Grant MacEwan University is taking steps to implement, by April 2011, a quality assurance program consistent with the Project Management methodology standard that has been established by the University.